

FRIST ART MUSEUM

Audited Financial Statements

December 31, 2021 and 2020



FRIST ART MUSEUM

AUDITED FINANCIAL STATEMENTS

December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Frist Art Museum
Nashville, Tennessee

Opinion

We have audited the accompanying financial statements of Frist Art Museum (an incorporated not-for-profit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 Frist Art Museum as of December 31, 2021 and 2020, 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 Frist Art 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 Frist Art Museum's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

INDEPENDENT AUDITOR'S REPORT

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 Frist Art 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 Frist Art 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.

FMC CPAs, PLLC

Nashville, Tennessee
September 26, 2022

FRIST ART MUSEUM

STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|-----------------------------|-----------------------------|
| | 2021 | 2020 |
| ASSETS | | |
| Cash and cash equivalents | \$ 10,736,988 | \$ 6,194,441 |
| Accounts receivable | 44,304 | 68,176 |
| Contributions receivable (Note C) | 276,945 | 371,779 |
| Inventories | 195,533 | 200,451 |
| Funds deposited with Frist Art Museum Foundation for investment (Note D) | 3,522,516 | 2,931,599 |
| Exhibition loan fee deposits and other prepaid expenses | 790,309 | 1,838,009 |
| Property and equipment, net (Notes E and F) | 14,302,088 | 15,443,348 |
| Endowment (Note H) | 199,600 | 199,600 |
| Donated collection item (Note A) | --- | --- |
| | <u> </u> | <u> </u> |
| TOTAL ASSETS | <u>\$ 30,068,283</u> | <u>\$ 27,247,403</u> |
| LIABILITIES AND NET ASSETS | | |
| Accounts payable | \$ 364,934 | \$ 295,294 |
| Accrued liabilities | 672,773 | 726,554 |
| Deferred revenue and refundable advances (Note I) | 858,714 | 512,617 |
| Capital lease obligation | 9,288 | 27,151 |
| | <u> </u> | <u> </u> |
| Total Liabilities | 1,905,709 | 1,561,616 |
| Net Assets | | |
| Without donor restrictions | 20,760,307 | 17,949,436 |
| With donor restrictions (Note J) | 7,402,267 | 7,736,351 |
| | <u> </u> | <u> </u> |
| Total Net Assets | 28,162,574 | 25,685,787 |
| | <u> </u> | <u> </u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 30,068,283</u> | <u>\$ 27,247,403</u> |

FRIST ART MUSEUM

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|-----------------------------|
| SUPPORT AND REVENUES | | | |
| Contributions and grants | \$ 7,996,924 | \$ 1,970,388 | \$ 9,967,312 |
| Support from Frist Art Museum Foundation (Note D) | 1,954,005 | 0 | 1,954,005 |
| Memberships | 1,324,243 | 0 | 1,324,243 |
| Admissions | 1,472,812 | 0 | 1,472,812 |
| Traveling exhibitions revenue | 0 | 0 | 0 |
| Education program fees | 44,759 | 0 | 44,759 |
| Gift shop revenue | 732,660 | 0 | 732,660 |
| Other operating revenue (Note L) | 351,199 | 0 | 351,199 |
| Investment income | 598,913 | 37,107 | 636,020 |
| Miscellaneous income | 1,156 | 0 | 1,156 |
| Net assets released from donor restrictions (Note J) | <u>2,341,579</u> | <u>(2,341,579)</u> | <u>0</u> |
| TOTAL SUPPORT AND REVENUES | <u>16,818,250</u> | <u>(334,084)</u> | <u>16,484,166</u> |
| EXPENSES | | | |
| Program Services | | | |
| Exhibitions | 7,883,180 | 0 | 7,883,180 |
| Education and engagement | 1,560,276 | 0 | 1,560,276 |
| Member and guest services | 948,118 | 0 | 948,118 |
| Gift shop | <u>716,616</u> | <u>0</u> | <u>716,616</u> |
| Total Program Services | 11,108,190 | 0 | 11,108,190 |
| Supporting Services | | | |
| General and administrative | 2,035,787 | 0 | 2,035,787 |
| Development and fundraising | 583,774 | 0 | 583,774 |
| Other operating expenses (Note L) | <u>204,628</u> | <u>0</u> | <u>204,628</u> |
| Total Supporting Services | <u>2,824,189</u> | <u>0</u> | <u>2,824,189</u> |
| TOTAL EXPENSES | <u>13,932,379</u> | <u>0</u> | <u>13,932,379</u> |
| NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS | 2,885,871 | (334,084) | 2,551,787 |
| Transfer to Frist Art Museum Foundation (Note D) | <u>(75,000)</u> | <u>0</u> | <u>(75,000)</u> |
| NET INCREASE (DECREASE) IN NET ASSETS | \$ 2,810,871 | \$ (334,084) | \$ 2,476,787 |
| Net Assets at Beginning of Year | <u>17,949,436</u> | <u>7,736,351</u> | <u>25,685,787</u> |
| NET ASSETS AT END OF YEAR | <u><u>\$ 20,760,307</u></u> | <u><u>\$ 7,402,267</u></u> | <u><u>\$ 28,162,574</u></u> |

FRIST ART MUSEUM

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|----------------------|
| SUPPORT AND REVENUES | | | |
| Contributions and grants | \$ 8,285,158 | \$ 1,390,256 | \$ 9,675,414 |
| Support from Frist Art Museum Foundation (Note D) | 1,742,186 | 0 | 1,742,186 |
| Memberships | 1,162,114 | 0 | 1,162,114 |
| Admissions | 396,194 | 0 | 396,194 |
| Traveling exhibitions revenue | 21,898 | 0 | 21,898 |
| Education program fees | 42,082 | 0 | 42,082 |
| Gift shop revenue | 198,209 | 0 | 198,209 |
| Other operating revenue (Note L) | 208,466 | 0 | 208,466 |
| Investment income | 336,979 | 28,246 | 365,225 |
| Miscellaneous income | 2,108 | 0 | 2,108 |
| Net assets released from donor restrictions (Note J) | 2,445,060 | (2,445,060) | 0 |
| TOTAL SUPPORT AND REVENUES | <u>14,840,454</u> | <u>(1,026,558)</u> | <u>13,813,896</u> |
| EXPENSES | | | |
| Program Services | | | |
| Exhibitions | 7,142,006 | 0 | 7,142,006 |
| Education and engagement | 1,424,804 | 0 | 1,424,804 |
| Member and guest services | 810,494 | 0 | 810,494 |
| Gift shop | 454,388 | 0 | 454,388 |
| Total Program Services | <u>9,831,692</u> | <u>0</u> | <u>9,831,692</u> |
| Supporting Services | | | |
| General and administrative | 1,670,526 | 0 | 1,670,526 |
| Development and fundraising | 669,903 | 0 | 669,903 |
| Other operating expenses (Note L) | 532,941 | 0 | 532,941 |
| Total Supporting Services | <u>2,873,370</u> | <u>0</u> | <u>2,873,370</u> |
| TOTAL EXPENSES | <u>12,705,062</u> | <u>0</u> | <u>12,705,062</u> |
| NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS | 2,135,392 | (1,026,558) | 1,108,834 |
| Transfer to Frist Art Museum Foundation (Note D) | (75,000) | 0 | (75,000) |
| NET INCREASE (DECREASE) IN NET ASSETS | \$ 2,060,392 | \$ (1,026,558) | \$ 1,033,834 |
| Net Assets at Beginning of Year | 15,889,044 | 8,762,909 | 24,651,953 |
| NET ASSETS AT END OF YEAR | <u>\$ 17,949,436</u> | <u>\$ 7,736,351</u> | <u>\$ 25,685,787</u> |

FRIST ART MUSEUM

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

| | PROGRAM SERVICES | | | | TOTAL PROGRAM SERVICES | SUPPORTING SERVICES | | | TOTAL SUPPORTING SERVICES | TOTAL EXPENSES |
|--|---------------------|-----------------------------|---------------------------------|-------------------|------------------------------|-------------------------------|-----------------------------------|--------------------------------|---------------------------------|----------------------|
| | Exhibitions | Education and Engagement | Member and Guest Services | Gift Shop | | General and Administrative | Development and Fundraising | Other Operating Expenses | | |
| Labor Costs | | | | | | | | | | |
| Employee costs | | | | | | | | | | |
| Salaries and wages | \$ 2,201,465 | \$ 664,686 | \$ 345,993 | \$ 156,950 | \$ 3,369,094 | \$ 528,127 | \$ 372,594 | \$ 98,139 | \$ 998,860 | \$ 4,367,954 |
| Payroll taxes | 153,913 | 46,471 | 24,190 | 10,973 | 235,547 | 36,924 | 26,050 | 6,861 | 69,835 | 305,382 |
| Employee benefits | 215,610 | 68,969 | 34,677 | 14,970 | 334,226 | 58,749 | 35,919 | 4,610 | 99,278 | 433,504 |
| Retirement plan benefits | 103,368 | 31,210 | 16,246 | 7,369 | 158,193 | 24,797 | 17,495 | 4,608 | 46,900 | 205,093 |
| Total Employee Costs | 2,674,356 | 811,336 | 421,106 | 190,262 | 4,097,060 | 648,597 | 452,058 | 114,218 | 1,214,873 | 5,311,933 |
| Temporary labor | 485,992 | 99,643 | 56,157 | 7,634 | 649,426 | 10,718 | 3,984 | 751 | 15,453 | 664,879 |
| Total Labor Costs | 3,160,348 | 910,979 | 477,263 | 197,896 | 4,746,486 | 659,315 | 456,042 | 114,969 | 1,230,326 | 5,976,812 |
| Exhibitions | 3,192,565 | 4,796 | 0 | 0 | 3,197,361 | 0 | 0 | 0 | 0 | 3,197,361 |
| Advertising | 0 | 0 | 0 | 0 | 0 | 563,933 | 0 | 0 | 563,933 | 563,933 |
| Rent expense - MDHA's building | 383,552 | 150,263 | 55,403 | 35,062 | 624,280 | 61,776 | 5,505 | 19,643 | 86,924 | 711,204 |
| Utilities | 233,104 | 91,322 | 33,671 | 21,309 | 379,406 | 37,544 | 3,345 | 11,938 | 52,827 | 432,233 |
| Insurance | 64,021 | 1,500 | 0 | 0 | 65,521 | 115,042 | 0 | 0 | 115,042 | 180,563 |
| Occupancy | 130,457 | 38,443 | 14,134 | 8,412 | 191,446 | 7,345 | 2,864 | 4,455 | 14,664 | 206,110 |
| Travel, catering, and meals | 34,469 | 15,784 | 1,818 | 16 | 52,087 | 21,151 | 10,957 | 15 | 32,123 | 84,210 |
| Supplies and equipment | 44,141 | 31,285 | 9,412 | 9,285 | 94,123 | 79,392 | 31,400 | 65 | 110,857 | 204,980 |
| Printing | 73,464 | 21,182 | 91,710 | 145 | 186,501 | 3,728 | 28,036 | 57 | 31,821 | 218,322 |
| Telephone, internet, and website | 28,506 | 13,791 | 7,189 | 3,594 | 53,080 | 119,430 | 5,535 | 1,864 | 126,829 | 179,909 |
| Consulting and professional fees | 30,598 | 27,211 | 1,734 | 511 | 60,054 | 83,088 | 1,538 | 257 | 84,883 | 144,937 |
| Cost of sales | 0 | 0 | 0 | 377,182 | 377,182 | 0 | 0 | 27,851 | 27,851 | 405,033 |
| Maintenance and repairs | 128,129 | 41,912 | 74,849 | 10,479 | 255,369 | 29,825 | 4,324 | 5,000 | 39,149 | 294,518 |
| Dues and licenses | 43,519 | 12,131 | 88,311 | 25,844 | 169,805 | 59,330 | 15,113 | 3,999 | 78,442 | 248,247 |
| Professional development and publications | 14,277 | 1,786 | 591 | 343 | 16,997 | 3,027 | 1,338 | 115 | 4,480 | 21,477 |
| Postage and shipping | 3,007 | 1,199 | 28,473 | 0 | 32,679 | 980 | 5,493 | 3 | 6,476 | 39,155 |
| Depreciation and amortization | 316,867 | 191,604 | 61,933 | 26,538 | 596,942 | 92,092 | 10,296 | 14,069 | 116,457 | 713,399 |
| Miscellaneous expense | 2,156 | 5,088 | 1,627 | 0 | 8,871 | 98,789 | 1,988 | 328 | 101,105 | 109,976 |
| TOTAL EXPENSES PRESENTED ON STATEMENT OF ACTIVITIES | <u>\$ 7,883,180</u> | <u>\$ 1,560,276</u> | <u>\$ 948,118</u> | <u>\$ 716,616</u> | <u>\$ 11,108,190</u> | <u>\$ 2,035,787</u> | <u>\$ 583,774</u> | <u>\$ 204,628</u> | <u>\$ 2,824,189</u> | <u>\$ 13,932,379</u> |

FRIST ART MUSEUM

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

| | PROGRAM SERVICES | | | | TOTAL PROGRAM SERVICES | SUPPORTING SERVICES | | | TOTAL SUPPORTING SERVICES | TOTAL EXPENSES |
|--|---------------------|-----------------------------|---------------------------------|-------------------|------------------------------|-------------------------------|-----------------------------------|--------------------------------|---------------------------------|----------------------|
| | Exhibitions | Education and Engagement | Member and Guest Services | Gift Shop | | General and Administrative | Development and Fundraising | Other Operating Expenses | | |
| Labor Costs | | | | | | | | | | |
| Employee costs | | | | | | | | | | |
| Salaries and wages | \$ 2,373,252 | \$ 592,831 | \$ 424,495 | \$ 172,024 | \$ 3,562,602 | \$ 614,689 | \$ 447,684 | \$ 268,333 | \$ 1,330,706 | \$ 4,893,308 |
| Payroll taxes | 165,695 | 41,390 | 29,637 | 12,010 | 248,732 | 42,916 | 31,256 | 18,734 | 92,906 | 341,638 |
| Employee benefits | 311,348 | 69,568 | 46,644 | 19,165 | 446,725 | 92,936 | 49,338 | 3,932 | 146,206 | 592,931 |
| Retirement plan benefits | 107,002 | 26,729 | 19,139 | 7,756 | 160,626 | 27,714 | 20,185 | 12,098 | 59,997 | 220,623 |
| Total Employee Costs | 2,957,297 | 730,518 | 519,915 | 210,955 | 4,418,685 | 778,255 | 548,463 | 303,097 | 1,629,815 | 6,048,500 |
| Temporary labor | 524,147 | 89,836 | 11,407 | 8,030 | 633,420 | 8,394 | 4,153 | 9,055 | 21,602 | 655,022 |
| Total Labor Costs | 3,481,444 | 820,354 | 531,322 | 218,985 | 5,052,105 | 786,649 | 552,616 | 312,152 | 1,651,417 | 6,703,522 |
| Exhibitions | 1,570,872 | 0 | 0 | 0 | 1,570,872 | 0 | 0 | 0 | 0 | 1,570,872 |
| Advertising | 0 | 0 | 0 | 0 | 0 | 318,570 | 0 | 0 | 318,570 | 318,570 |
| Rent expense - MDHA's building | 389,359 | 151,332 | 26,729 | 35,062 | 602,482 | 61,164 | 5,962 | 41,596 | 108,722 | 711,204 |
| Utilities | 212,563 | 82,617 | 14,592 | 19,142 | 328,914 | 33,391 | 3,255 | 22,709 | 59,355 | 388,269 |
| Insurance | 628,027 | 0 | 0 | 0 | 628,027 | 103,146 | 0 | 0 | 103,146 | 731,173 |
| Occupancy | 120,688 | 42,227 | 7,217 | 9,150 | 179,282 | 6,838 | 2,739 | 13,525 | 23,102 | 202,384 |
| Travel, catering, and meals | 25,757 | 14,082 | 1,219 | 116 | 41,174 | 3,703 | 10,636 | 385 | 14,724 | 55,898 |
| Supplies and equipment | 62,876 | 31,633 | 14,759 | 3,442 | 112,710 | 18,580 | 30,027 | 12,092 | 60,699 | 173,409 |
| Printing | 36,590 | 10,498 | 68,040 | 144 | 115,272 | 2,799 | 18,090 | 128 | 21,017 | 136,289 |
| Telephone, internet, and website | 26,706 | 16,192 | 6,126 | 2,952 | 51,976 | 71,002 | 5,572 | 5,016 | 81,590 | 133,566 |
| Consulting and professional fees | 61,802 | 2,641 | 864 | 474 | 65,781 | 94,743 | 4,692 | 641 | 100,076 | 165,857 |
| Cost of sales | 0 | 0 | 0 | 115,194 | 115,194 | 0 | 0 | 50,214 | 50,214 | 165,408 |
| Maintenance and repairs | 135,301 | 49,436 | 65,030 | 13,468 | 263,235 | 41,100 | 9,923 | 19,898 | 70,921 | 334,156 |
| Dues and licenses | 42,591 | 7,102 | 27,183 | 10,316 | 87,192 | 47,119 | 8,978 | 7,890 | 63,987 | 151,179 |
| Professional development and publications | 7,375 | 1,562 | 37 | 81 | 9,055 | 1,897 | 1,569 | 98 | 3,564 | 12,619 |
| Postage and shipping | 1,419 | 719 | 22,220 | 12 | 24,370 | 995 | 3,395 | 375 | 4,765 | 29,135 |
| Depreciation and amortization | 337,850 | 188,433 | 24,994 | 25,850 | 577,127 | 74,061 | 10,178 | 46,222 | 130,461 | 707,588 |
| Miscellaneous expense | 786 | 5,976 | 162 | 0 | 6,924 | 4,769 | 2,271 | 0 | 7,040 | 13,964 |
| TOTAL EXPENSES PRESENTED ON STATEMENT OF ACTIVITIES | <u>\$ 7,142,006</u> | <u>\$ 1,424,804</u> | <u>\$ 810,494</u> | <u>\$ 454,388</u> | <u>\$ 9,831,692</u> | <u>\$ 1,670,526</u> | <u>\$ 669,903</u> | <u>\$ 532,941</u> | <u>\$ 2,873,370</u> | <u>\$ 12,705,062</u> |

FRIST ART MUSEUM

STATEMENTS OF CASH FLOWS

| | <u>Year Ended December 31</u> | |
|--|-------------------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Contributions and grants received | \$ 9,867,262 | \$ 8,701,172 |
| Support received from Art Museum Foundation | 1,954,005 | 1,742,186 |
| Memberships received | 1,430,099 | 1,020,612 |
| Admissions received | 1,479,205 | 397,407 |
| Education program fees received | 48,594 | 75,736 |
| Special event revenue received (Note I) | 420,793 | 187,155 |
| Gift shop revenue received | 732,660 | 198,209 |
| Other operating revenue received | 356,441 | 208,782 |
| Investment income received | 36,242 | 26,774 |
| Miscellaneous income received | 1,156 | 2,108 |
| Labor costs paid | (6,043,637) | (6,554,251) |
| Cash paid to suppliers, consultants, and others | <u>(5,361,990)</u> | <u>(5,056,408)</u> |
| Net Cash Provided by Operating Activities | <u>4,920,830</u> | <u>949,482</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | <u>(285,420)</u> | <u>(646,554)</u> |
| Net Cash Used in Investing Activities | <u>(285,420)</u> | <u>(646,554)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal payments under capital lease obligation | <u>(17,863)</u> | <u>(16,957)</u> |
| Net Cash Used in Financing Activities | <u>(17,863)</u> | <u>(16,957)</u> |
| NET INCREASE FROM CASH FLOWS BEFORE TRANSFER TO SUPPORTING ORGANIZATION | 4,617,547 | 285,971 |
| Transfer to Frist Art Museum Foundation | <u>(75,000)</u> | <u>(75,000)</u> |
| NET INCREASE FROM CASH FLOWS | \$ 4,542,547 | \$ 210,971 |
| Cash and Cash Equivalents at Beginning of Year | <u>6,194,441</u> | <u>5,983,470</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 10,736,988</u> | <u>\$ 6,194,441</u> |

FRIST ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE A -- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: On March 3, 1998, "Frist Center for the Visual Arts, Inc." was chartered as a public benefit corporation under the Tennessee Nonprofit Corporation Act. The organization commenced activities by developing a high quality museum and exhibition gallery for the visual arts in Nashville, Tennessee, which opened to the public on April 8, 2001. Effective April 1, 2018, the organization changed its name to "Frist Art Museum" (herein "FAM").

The mission of FAM is to present and originate high-quality exhibitions with related educational programs and community outreach activities. Its vision is to inspire people through art to look at their world in new ways.

The sole member of Frist Art Museum is Frist Art Museum Foundation (herein the "Foundation"), which has the authority to appoint FAM's Board of Trustees. The primary purpose of the Foundation (the "supporting" organization) is to hold and manage a portfolio of investments from which annual financial support is provided to FAM (the "supported" organization). The Foundation was initially chartered as a Tennessee public benefit corporation on March 3, 1998, under the name "Frist Center for the Visual Arts Foundation", and elected to change its name effective April 1, 2018, in connection with FAM's name change.

Program Services: The major program services conducted by FAM are as follows:

- **Exhibitions:** FAM hosts traveling exhibitions from the United States and abroad, as well as developing its own exhibitions on a diverse range of themes. Significant advance planning and coordination is required for each exhibition presented. Exhibitions may remain at FAM for a few months or a few years, however, FAM is dedicated to providing new opportunities for discovery with each visit.
- **Education and Engagement:** FAM offers a wide variety of accessible and affordable programs designed to assist people of all ages and backgrounds to become more knowledgeable and appreciative of art. Educational opportunities are provided through films, lectures, concerts, gallery talks, student tours, educator workshops, and youth and family activities.
- **Member and Guest Services:** FAM provides an enriching member and guest experience through gallery guidance. Exhibition content is made available to members and guests through member publications, audio guides, and exhibition brochures.
- **Gift Shop:** FAM's gift shop offers a wide selection of arts and crafts supplies, educational materials, publications, catalogues, gifts, and souvenir items that are related to its exhibitions and programs. The gift shop also features select exhibition-related items by local artisans.

Basis of Accounting: The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") using the accrual method of accounting.

FRIST ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

Financial Statement Presentation: FAM reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Net assets available for use in general operations and not subject to donor restrictions are classified as "Net Assets Without Donor Restrictions". This net asset category includes net assets designated by the Board of Trustees for specific purposes, if any. Net assets subject to donor-imposed restrictions are classified as "Net Assets With Donor Restrictions". FAM uses the calendar year as its annual reporting period.

Reclassifications: Certain prior year amounts have been reclassified to conform with the current year presentation.

Use of Estimates: Preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net assets, support and revenues, and expenses, and the disclosure of contingent assets and liabilities. Significant estimates used by management in preparing these financial statements principally include those assumed in establishing: (1) the collectability of contributions receivable, (2) the estimated investment yield on funds deposited with the Foundation for investment, and (3) the estimated useful lives of the building lease contributed by MDHA and other property and equipment, for purposes of calculating depreciation and amortization expense. Actual results could differ from the significant estimates used by management and such differences could be material.

Subsequent Events: In preparing the accompanying financial statements, management has evaluated subsequent events through September 26, 2022, which represents the date the financial statements were available to be issued.

Cash and Cash Equivalents: Cash consists of amounts on hand and on deposit in bank accounts. The Federal Deposit Insurance Corporation ("FDIC") insures the total amount deposited by each customer in a participating bank up to its maximum limit of \$250,000. As of December 31, 2021, FAM had cash balances on deposit at four commercial banks, three of which exceeded the FDIC insurance limit by approximately \$6,033,000, \$3,057,000, and \$532,000, respectively.

At December 31, 2021 and 2020, the reported cash balances include \$2,241,525 and \$1,724,310, respectively, of contribution proceeds that are restricted for use in connection with specific purposes designated by donors.

Cash equivalents include all highly-liquid investments, such as money market funds, that have a scheduled maturity of three months or less as of the respective acquisition date. These investments earn interest at variable short-term market rates and are presented at fair value, based on readily available quoted market prices (i.e., categorized as a Level 1 security, in accordance with the U.S. GAAP fair value hierarchy). FAM held no cash equivalents at December 31, 2021 or 2020.

Accounts Receivable and Allowance for Uncollectible Amounts: Receivables and related accrued interest, if applicable, are recorded at each reporting date for amounts due from various parties in conjunction with financial transactions. An allowance is recognized for potentially uncollectible balances and amounts deemed worthless are written off. At December 31, 2021 and 2020, respectively, all accounts receivable balances are due within one year and are deemed to be collectible. Accordingly, no allowance was recognized as of either date.

FRIST ART MUSEUM

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December 31, 2021 and 2020

Contributions Receivable: A contribution receivable is recognized at fair value when a donor communicates an unconditional promise to FAM. Contributions receivable may include unconditional promises from individuals, grants from public and private sources, and corporate and individual sponsorships. Contributions may be restricted as to use for certain exhibitions, programs, and other activities specified by the donor. An unconditional contribution receivable that is expected to be collected within the next twelve months is deemed to be equal to the net settlement value of the amount to be received. An unconditional promise to give that is expected to be collected after one year is initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates. In subsequent years, amortization of the discount is included in contribution support in the Statements of Activities.

Inventories: Inventories are maintained in connection with catering operations, the gift shop, and exhibition catalogues. Inventory is generally reported at the lower of cost (first-in, first-out method) or market. Catering inventory, which principally consists of beverages and supplies, represents \$13,600 and \$12,813 of the total inventory value at December 31, 2021 and 2020, respectively. Gift shop inventory, which consists of products acquired for resale in the gift shop, represents \$127,458 and \$176,210 of the total inventory value at the respective dates. Exhibition catalogues, which are either produced internally or acquired for resale, are reported at the lower of production cost or acquisition cost as of the exhibition year, or net realizable sales value determined subsequent to the exhibition year. Catalogue inventory totaled \$54,475 and \$11,428 at the respective dates.

Exhibition Loan Fee Deposits and Other Prepaid Expenses: FAM procures collected works of art for exhibition by executing temporary loan agreements with domestic and foreign museums, and collectors. These agreements typically require FAM to pay a loan fee, generally by making an initial deposit and one or more installment payments prior to the opening of an exhibition. Other significant, directly-allocable costs that are incurred prior to the opening of an exhibition (e.g., insurance, shipping, and curatorial fees) are recorded as prepayments.

The aggregate total of loan fee deposits and prepayments for each exhibition is amortized on a pro-rata basis over the respective exhibition period. Accordingly, this balance may include both current and non-current amounts. The amortization in each reporting period is included as a component of "Exhibitions" expense in the Statement of Activities. (Refer to Note O for additional information.)

Exhibition Loan Fee Revenue and Expense Recoupments: In addition to presenting traveling exhibitions developed by collectors and owners of works of art, FAM periodically originates new art exhibitions for presentation in its galleries. These new exhibitions are then made available by FAM to other art museums and institutions under temporary loan agreements under terms similar to those described in the previous section. This activity enables FAM to earn loan fee revenue and to recoup certain directly-allocable costs from the borrowing institutions, thus reducing loan fees and exhibition costs initially incurred for its own gallery presentation.

Loan fee revenue from traveling exhibitions totaled \$0 and \$21,898 for the years ended December 31, 2021 and 2020, respectively. There were no related allocable costs recouped in 2021 or 2020.

FRIST ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

Property and Equipment: Property and equipment assets are initially recorded at cost if purchased, or at estimated fair value if contributed. Depreciation and amortization expense are calculated using the straight-line method over the estimated service lives of the assets, which are principally as follows: 3 to 15 years for furniture and equipment, 15 years for land improvements, and 15 to 30 years or the remaining initial lease term for leasehold improvements. Significant additions and improvements that extend an asset's original useful life or enhance its future service potential are capitalized. Leased equipment is capitalized if the terms of the lease transfer substantially all of the economic benefits and risks associated with the use of the equipment to FAM. Normal repairs and maintenance are charged to expense as incurred. Property and equipment is reported net of accumulated depreciation and amortization in the Statement of Financial Position. (Refer to Notes E, F, and G for additional information.)

Contributed Use of Property: FAM recognizes contribution support upon entering into a lease if the lessor requires only nominal lease payments in relation to the estimated fair rental value of the leased property. The fair value of the contribution is equal to the lesser of: (a) the present value of the excess of the estimated fair rental rate over the stated lease payments (if any) during the lease term, or (b) the fair value of the leased asset at inception of the lease.

With respect to a long-term lease, the contributed lease asset is initially reported as an increase in net assets with donor restrictions due to the "passage of time" restriction that governs the use of the leased property. This asset is amortized on a straight-line basis over the lease term and the expired portion in each reporting period is released from net assets with donor restrictions and reclassified to net assets without donor restrictions. The amortization is recognized as rent expense, as reported in the Statement of Functional Expenses, and the unexpired portion of the asset is reported as a component of property and equipment in the Statement of Financial Position. (Refer to Note E for additional information regarding FAM's recognition in 1998 of a building lease contributed by MDHA.)

Endowment: Upon agreeing to accept a donor's restricted contribution to provide ongoing support for a particular activity or program, FAM will establish an "endowment" using the contributed proceeds. Once established, FAM will oversee the endowment in accordance with its interpretations of guidance set forth in the Tennessee *Uniform Prudent Management of Institutional Funds Act of 2006* ("UPMIFA"). Pursuant to this guidance, FAM will initially seek to manage the endowment proceeds to preserve the original fair value of the contribution as of the date received, while also adhering to the donor's stated restrictions and permissible conditions for use of the endowment corpus and investment earnings. The fair value of the original contribution and any future contributions to the endowment, as of the respective date received, will be classified as net assets with donor restrictions that are retained in perpetuity, as will other amounts that are accumulated in accordance with the donor's specifications. Amounts specified by the donor that are available to fund expenditures by FAM in support of the particular activity or program, will be classified as net assets with donor restrictions until such time as the funds are used for such purpose. (Refer to Note H for additional information.)

FRIST ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

Donated Collection Item: Although FAM is a non-collecting institution, management agreed to accept the private donation of a sculpture in 2013, which was installed on the property for public viewing. The donated collection item is deemed to be held in furtherance of public service rather than for financial gain and, accordingly, will be protected, kept encumbered, cared for, and preserved. In the event FAM decides to deaccess the sculpture, it would be donated to another not-for-profit arts institution. Management has adopted a non-capitalization accounting policy in regard to the valuation and reporting of collected art objects. In accordance with U.S. GAAP, a line item caption for the donated collection item is presented in the Statements of Financial Position, however, no value has been assigned or reported for this item since it was received in 2013.

Revenue and Revenue Recognition: Contribution and grant support is recognized at fair value when cash, securities or other assets, or unconditional promises to give are received. Conditional promises to give (those with a measurable performance obligation or other barrier and a right of return) are not recognized as support until the donor's conditions have been substantially met. Contributions that are restricted by the donor (e.g., as to the passage of time or use for a specific purpose), are reported as increases in net assets with donor restrictions. Upon satisfaction or expiration of a donor restriction, the applicable net assets are reclassified to net assets without donor restrictions.

FAM offers various levels of basic and contributing memberships to its patrons. The portion of a member's dues that represents a contribution is recognized as contribution support upon receipt. The portion of each member's dues that represents the value of membership benefits provided by FAM is recognized as earned revenue ratably over the membership term, generally a one-year period. At each reporting date, a liability for unearned membership dues is reported as a component of "Deferred revenue and refundable advances" in the Statement of Financial Position.

Admissions revenue is generally non-refundable and is recognized on the scheduled day of entrance to the galleries. Loan fee revenue from traveling exhibitions is recognized ratably over the scheduled exhibition period. Education program fees are recognized when a workshop or program occurs. Special event revenue is generally recognized when the event takes place and is comprised of the fair value of direct benefits to donors and a contribution element for the difference.

Gift shop sales are recognized at the time of purchase. Other operating revenue, which includes café, venue rentals, and on-site parking, is recognized at the point in time when the services are provided.

Payments are required at the time of sale or start of a membership term; amounts received in advance are deferred to the applicable period.

Gift-in-Kind Contributions: The estimated fair value of "gift-in-kind" contributions recognized by FAM during the years ended December 31, 2021 and 2020, totaled \$2,990 and \$580,308, respectively. These contributions consist of various goods, services, and indemnity coverage that were utilized by FAM and expensed in its operations during the respective year.

FRIST ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

Donated Services: In accordance with U.S. GAAP, donated services are recognized as support (along with a corresponding asset or expense) when such services create or enhance a non-financial asset (e.g., property or equipment), or such services require specialized skills that would typically need to be purchased by the organization had they not been donated. During the years ended December 31, 2021 and 2020, FAM recognized \$0 and \$12,430 for donated services, which includes donated entertainment performances and other professional services.

Many individuals volunteer their time and perform a variety of beneficial tasks that assist FAM to conduct its programs and services. During the years ended December 31, 2021 and 2020, volunteer hours totaled approximately 7,700 and 8,100, respectively. However, in accordance with U.S. GAAP, the estimated fair value of these volunteer services has not been reflected in the accompanying financial statements.

Functional Allocation of Expenses: Expenses associated with FAM's program services and supporting services have been summarized on a functional basis in the Statements of Activities. The accompanying Statements of Functional Expenses present the natural classification of expenses by function. Expenses that are attributable to only one function are directly allocated in the Statements of Functional Expenses. However, certain categories of expenses are attributed to more than one program or supporting service activity. These expenses require allocation on a reasonable basis that is consistently applied.

Salaries and related employee benefits that are attributable to more than one function are allocated based on estimates of time and effort. Expenses associated with maintaining and occupying the building, such as rent, occupancy, building operations, depreciation, and amortization, are allocated by function based on estimated square footage used compared to total usable space. Technology, supplies, and certain other expenses are allocated based upon the number of employees assigned by functional department to the total number of employees. Lastly, the costs of certain departments that provide internal services are allocated among the departments served based on the number of internal events held compared to the total number of internal and external events held. Management re-evaluates its allocation methodology each year to determine whether revisions are necessary based on actual activities conducted during the year.

Income Taxes: FAM is recognized as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is not deemed to be a "private foundation", based on correspondence with the Internal Revenue Service. However, continued compliance with the prescribed "public support test", and other rules and regulations, is required to maintain this exemption. Management is not aware of any event or activity that has occurred since the latest determination date that might adversely affect FAM's tax exempt status.

FRIST ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

FAM can be subject to federal and state income taxes if it has net income from trade or business activities that are not substantially related to its exempt purpose. "Unrelated business income taxes" are computed in accordance with regular federal and state income tax rates that are applicable to for-profit corporations. Certain aspects of FAM's venue rental and catering operations routinely generate unrelated business taxable income, although these activities have historically resulted in a net loss for unrelated business income tax purposes.

In accordance with U.S. GAAP, management routinely evaluates FAM's federal and state income tax and regulatory filing positions to identify uncertain tax positions for consideration of whether to record an estimated liability or disclose a potential liability, including applicable interest and penalties. Management has not identified any material uncertain tax positions that require financial statement recognition as of December 31, 2021 or 2020. FAM's federal and state income tax and regulatory filings are subject to examination by the applicable taxing or regulatory authority generally for a period of three years after a return is filed. As of December 31, 2021, management considers FAM's open tax years to include the returns filed for 2018, 2019, and 2020, as well as the returns that will be filed for 2021.

Advertising Costs: FAM expenses all advertising costs as incurred. During the years ended December 31, 2021 and 2020, advertising costs totaled approximately \$564,000 and \$319,000, respectively.

NOTE B -- AVAILABLE RESOURCES AND LIQUIDITY

As of December 31, 2021, financial assets expected to be available to fund general expenditures during the following year (i.e., reasonably liquid assets without donor or other restrictions limiting their use), are comprised of the following:

| | |
|--|----------------------|
| Cash and equivalents | \$ 8,495,464 |
| Accounts receivable | 44,304 |
| Contributions receivable | 276,945 |
| Funds deposited with Frist Art Museum Foundation for investment | <u>3,522,516</u> |
| Total | <u>\$ 12,339,229</u> |

FAM manages its various financial assets to be available to fund its general expenditures, and discharge its liabilities and other obligations, as they come due. This process includes development of annual cash budgets for operational and capital expenditures, monthly monitoring of budget variances, ongoing projection of cash needs, and revision of discretionary expenditures as deemed necessary.

As described in Notes D and O, FAM typically receives annual operating support from the Foundation as its supporting organization, as well as a private foundation. These combined sources of funds represent a substantial portion of total support received.

FRIST ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE C -- CONTRIBUTIONS RECEIVABLE

FAM routinely receives notification from donors of their unconditional promises to give financial support to the organization, which could be in the form of contributions, grants, or sponsorships. These promises are often comprised of a current payment and a commitment to make support payments over a specified future period. Because a promise to give is generally subject to a "passage of time" restriction, it is recorded as an increase in net assets with donor restrictions. The restriction is released on the earlier of receipt of payment or the scheduled payment date.

Contributions receivable recognized by FAM are summarized as follows:

| | <u>December 31</u> | |
|----------------------------|--------------------|-------------------|
| | <u>2021</u> | <u>2020</u> |
| Without Donor Restrictions | \$ 57,205 | \$ 11,944 |
| With Donor Restrictions | <u>219,740</u> | <u>359,835</u> |
| Contributions Receivable | <u>\$ 276,945</u> | <u>\$ 371,779</u> |

All contributions receivable as of December 31, 2021, are scheduled to be received in 2022.

Management has reviewed the listing of contributions receivable for collectability and has deemed recognition of an allowance for possible uncollectible amounts receivable to be unnecessary at both December 31, 2021 and 2020.

NOTE D -- TRANSACTIONS BETWEEN FAM AND FRIST ART MUSEUM FOUNDATION

Support from Frist Art Museum Foundation: In its role as "supporting organization", the Foundation provides annual operational funding to FAM. For the years ended December 31, 2021 and 2020, support provided by the Foundation totaled \$1,954,005 and \$1,742,186, respectively. This support is based on an assumed annual return of 4% of its average monthly portfolio value for the prior 3-year period. In addition, during 2019, the Foundation's Board elected to provide additional support equal to all future dividend income distributed by a specific investment in the portfolio. There were no outstanding grant requests at December 31, 2021; however, it is expected that FAM will continue to depend on operational funding provided by the Foundation for the foreseeable future.

Funds Deposited with Frist Art Museum Foundation for Investment: Since 2011, FAM has deposited cash balances available for investment with the Foundation. The purpose of this arrangement is to allow the professional investment managers who oversee the Foundation's investments to also invest and manage FAM's funds available for investment. Accordingly, FAM's objective is to increase its investment yield and reduce its cash concentration in bank depository accounts.

FRIST ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

Funds of FAM that are held under this arrangement are subject to increase or decrease for an allocable share of the appreciation or depreciation in fair value of the specified investments held in the Foundation's investment portfolio. Generally, FAM funds on deposit are repayable by the Foundation within 30 to 60 days after receiving FAM's withdrawal request.

During 2020, management recorded estimated appreciation of \$331,863, which increased the estimated fair value of FAM's cumulative amount on deposit to \$2,931,599 at December 31, 2020. During 2021, management recorded estimated appreciation of \$590,917, which increased the estimated fair value of FAM's cumulative amount on deposit to \$3,522,516 at December 31, 2021.

Transfer of Contributed Funds to Frist Art Museum Foundation: Periodically, management will transfer funds contributed by donors to the Foundation for inclusion in its endowment portfolio, principally in response to the donor's authorization or the donor's intended use of the funds as support for the endowment. Transferred funds are incorporated into the investment portfolio of the Foundation and managed according to its investment policy. FAM identified and transferred \$75,000 of applicable donor contributions to the Foundation in both 2021 and 2020.

NOTE E -- BUILDING LEASE AND RENOVATIONS CONTRIBUTED BY MDHA

General: During 1998, the Metropolitan Government of Nashville and Davidson County contributed \$19.9 million to its agency, the Metropolitan Development and Housing Agency ("MDHA"). These funds were designated for use as follows: (1) \$4.4 million for MDHA's purchase of the downtown Post Office building (located at 901 Broadway, Nashville, Tennessee) from the U.S. Postal Service, and (2) \$15.5 million for the cost of MDHA's renovations to the building, in conjunction with the development project. Although this property is being utilized by FAM under terms of a long-term lease, MDHA retains full ownership of the building.

Building Lease: Effective June 30, 1998, MDHA entered into a long-term lease agreement with FAM for the use of its newly-acquired building. The lease specifies a term of approximately 99 years (June 30, 1998 to September 1, 2097); however, FAM can terminate the lease at its option after approximately 30 years (September 1, 2028). Based on architectural studies, the lease provides FAM with approximately 109,000 square feet of usable space. Accordingly, the lease requires only nominal lease payments of \$1.00 per year, which FAM elected to prepay in full and record as rent expense during 1998.

The building lease is structured as a "net lease," which imposes responsibility on FAM for all maintenance, repairs, insurance, taxes, and utilities. The Foundation has guaranteed FAM's performance to MDHA under this lease, including its compliance with covenants and obligatory provisions, such as the sub-lease described below.

FRIST ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

As a result of MDHA requiring only nominal lease payments over the term of the lease, FAM recognized a non-cash contribution of \$4.4 million in 1998. This contribution was recorded as an increase in net assets with donor restrictions, due to the "passage of time" restriction that governs the use of the leased property. Rent expense is recognized on a monthly pro-rata basis as the "passage of time" restriction expires, and a corresponding amount is reclassified from net assets with donor restrictions to net assets without donor restrictions. Management has elected to use the initial lease term of 30 years as the appropriate period for recognizing the expiration of this contributed lease asset. (Refer to Note F for information regarding rent expense recognized during the years ended December 31, 2021 and 2020.)

In conjunction with MDHA's purchase agreement with the U.S. Postal Service, the Post Office will continue to use the lower floor of the building (approximately 15,000 square feet) under a 30-year sub-lease agreement with FAM (September 1, 1998 to August 31, 2028). Free use of this space was incorporated into the acquisition price negotiated by MDHA. Accordingly, no lease payments by the Post Office are required during the initial lease term. The Post Office is obligated to pay its separately-metered utilities and proportionate share of common area maintenance expenses. The sub-lease agreement grants two consecutive renewal options to the Post Office, with lease terms of 10 years each at the prevailing market rental rate.

Funding of Renovation Costs: FAM also recognized a non-cash contribution of \$15.5 million in 1998 to reflect the fair value of funds committed by MDHA for renovations to the building. This contribution was recorded in a manner consistent with the approach previously described for the contributed lease asset. By agreement with MDHA, FAM assumed responsibility for the payment of any renovation costs incurred by MDHA which exceeded the maximum amount of MDHA's commitment. Although FAM recorded the excess amounts expended as leasehold improvements, MDHA retains full ownership of the building.

MDHA's contributed renovations and the leasehold improvements paid for by FAM are deemed to have been placed in service as of April 2001. Both amounts are being amortized on a monthly pro-rata basis over the remaining portion of the initial 30-year lease term. Amortization of the contributed renovations asset is recognized as additional rent expense as the "passage of time" restriction expires. Also, a corresponding amount is reclassified from net assets with donor restrictions to net assets without donor restrictions, in a manner consistent with the contributed lease asset. Amortization of FAM's leasehold improvements is included as a component of regular depreciation and amortization expense.

FRIST ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE F -- PROPERTY AND EQUIPMENT

The major components of property and equipment are summarized as follows:

| | <u>December 31</u> | |
|--|----------------------|----------------------|
| | <u>2021</u> | <u>2020</u> |
| <u>Contributed Assets</u> | | |
| Without Donor Restrictions | | |
| Land -- redevelopment project | \$ 152,411 | \$ 152,411 |
| With Donor Restrictions (Note J) | | |
| Building lease contributed by MDHA | 4,400,000 | 4,400,000 |
| Building renovations and improvements contributed by MDHA | <u>15,500,000</u> | <u>15,500,000</u> |
| | 19,900,000 | 19,900,000 |
| Less: Accumulated amortization | <u>(15,158,598)</u> | <u>(14,447,394)</u> |
| Total With Donor Restrictions | <u>4,741,402</u> | <u>5,452,606</u> |
| Total Contributed Assets | <u>4,893,813</u> | <u>5,605,017</u> |
| <u>Purchased Assets – Without Donor Restrictions</u> | | |
| Land -- redevelopment project | 2,557,964 | 2,557,964 |
| Land improvements -- redevelopment project | 1,876,794 | 1,876,794 |
| Furniture and equipment, including computers, software, and capital lease equipment | 4,176,333 | 4,074,195 |
| Leasehold improvements | 12,718,870 | 12,678,416 |
| Deposits and work in progress | <u>236,446</u> | <u>95,696</u> |
| | 21,566,407 | 21,283,065 |
| Less: Accumulated depreciation and amortization | <u>(12,158,132)</u> | <u>(11,444,734)</u> |
| Total Purchased Assets | <u>9,408,275</u> | <u>9,838,331</u> |
| TOTAL PROPERTY AND EQUIPMENT, net | <u>\$ 14,302,088</u> | <u>\$ 15,443,348</u> |

Amortization of the building lease and renovations contributed by MDHA (i.e., "rent expense"), totaled \$711,204 during each of the years ended December 31, 2021 and 2020. Depreciation and amortization expense for all other assets during these years totaled \$713,399 and \$707,588, respectively.

During 2020, FAM disposed of obsolete tangible and intangible assets that were no longer in service, for which the original cost basis totaled \$158,212. These assets were fully depreciated or amortized, resulting in no gain or loss being recognized on disposals. Original cost basis totals by major asset category are summarized as follows for 2020: technology equipment and software licenses -- \$11,009; furniture and equipment -- \$8,739; website-- \$59,935; and leasehold and land improvements -- \$78,529. FAM did not dispose of any obsolete tangible or intangible assets in 2021.

FRIST ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE G -- CAPITALIZED EQUIPMENT LEASE

Effective October 1, 2017, FAM entered a five-year lease with a commercial vendor for certain printer and copier equipment. Management determined that this lease met the criteria for recognition as a "capital lease". Accordingly, management capitalized the office equipment as a component of property and equipment and recorded a corresponding liability for the "capital lease obligation" payable over the lease term.

The capitalized asset value totaled \$83,910. The present value of the future minimum lease payments was imputed using an interest rate of 5.25%, which represented FAM's incremental borrowing rate at inception of the lease. During the years ended December 31, 2021 and 2020, interest expense associated with this lease obligation totaled \$1,078 and \$1,985, and amortization expense related to the capitalized equipment totaled \$16,782 in each year. At December 31, 2021 and 2020, accumulated amortization totaled \$71,323 and \$54,541, respectively.

At December 31, 2021, the future minimum lease payment, due in 2022, under the capital lease is \$9,471, including interest of \$183.

NOTE H -- ENDOWMENT

FAM established an endowment during 2016, upon agreeing to accept a restricted contribution from a donor. The purpose of this endowment, as specified by the donor, is to provide annual support for exhibitions in the Contemporary Artists' Project Gallery ("CAP Gallery"). As provided in the contribution agreement executed with the donor, FAM should oversee the endowment by attempting to preserve the original fair value of the corpus. Accordingly, the contribution agreement provides that the endowment funds may be pooled with the Foundation's investment portfolio for investment management purposes, with future appreciation or depreciation in fair value to be determined in a manner consistent with the other funds deposited by FAM with the Foundation (refer to Note D).

An increase in fair value of the endowment funds on deposit (i.e., investment income) is initially recognized as net assets with donor restrictions by FAM, and then paid to FAM annually by the Foundation. As specified by the donor, investment income from the endowment is available to fund expenditures by FAM in support of the CAP Gallery, at which time the donor restriction is satisfied and released.

A decrease in fair value of the endowment funds on deposit (i.e., investment loss) is recognized as a decrease in net assets with donor restrictions. An investment loss that results in a valuation that is less than the original gift amount results in an underwater endowment. Subsequent increases in fair value will increase the endowment corpus until the original fair value of the donor contribution has been restored. Thereafter, investment income shall be recognized as described above.

FRIST ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

A summary of activity during the years ended December 31, 2021 and 2020, is as follows:

| | <u>With Donor Restrictions</u> | | |
|--|--------------------------------------|---|-------------------|
| | <u>Purpose</u> <u>Restriction</u> | <u>Perpetuity</u> <u>Restriction</u> | <u>Total</u> |
| Endowment Asset at December 31, 2019 | \$ 0 | \$ 199,600 | \$ 199,600 |
| Investment income | 28,246 | 0 | 28,246 |
| Amount withdrawn to fund expenditures by FAM to support CAP Gallery | <u>(28,246)</u> | <u>0</u> | <u>(28,246)</u> |
| Endowment Asset at December 31, 2020 | 0 | 199,600 | 199,600 |
| Investment income | 37,107 | 0 | 37,107 |
| Amount withdrawn to fund expenditures by FAM to support the CAP Gallery | <u>(37,107)</u> | <u>0</u> | <u>(37,107)</u> |
| Endowment Asset at December 31, 2021 | <u>\$ 0</u> | <u>\$ 199,600</u> | <u>\$ 199,600</u> |

FRIST ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE I -- DEFERRED REVENUE AND REFUNDABLE ADVANCES

As described in Note A, FAM recognizes a liability when it receives cash or other assets before revenue is earned or when conditional contribution support is received. Such liabilities are combined and reported as "Deferred revenue and refundable advances" in the Statement of Financial Position at each reporting date. Activity within the various components of this liability is summarized as follows for the years ended December 31, 2021 and 2020:

| | Deferred Revenue | | | | | Refundable Advances | |
|---|-------------------|-------------------|-----------------------|------------------|---------------------|---------------------|-------------------|
| | Memberships | Gift Certificates | Traveling Exhibitions | Venue Rentals | Other Miscellaneous | Special Event | Total |
| Deferred Revenue and Refundable Advances at December 31, 2019 | \$ 336,836 | \$ 72,332 | \$ 21,898 | \$ 31,315 | \$ 20,153 | \$ 417,700 | \$ 900,234 |
| Revenue recognized that was included at the beginning of year | (333,505) | (230) | (21,898) | (20,765) | 0 | (417,700) | (794,098) |
| Increase in liability due to cash received during the year | <u>197,349</u> | <u>505</u> | <u>0</u> | <u>21,081</u> | <u>391</u> | <u>187,155</u> | <u>406,481</u> |
| Deferred Revenue and Refundable Advances at December 31, 2020 | 200,680 | 72,607 | 0 | 31,631 | 20,544 | 187,155 | 512,617 |
| Revenue recognized that was included at the beginning of year | (196,588) | (265) | 0 | (19,836) | (391) | (187,155) | (404,235) |
| Increase in liability due to cash received during the year | <u>297,705</u> | <u>1,620</u> | <u>0</u> | <u>25,078</u> | <u>5,136</u> | <u>420,793</u> | <u>750,332</u> |
| Deferred Revenue and Refundable Advances at December 31, 2021 | <u>\$ 301,797</u> | <u>\$ 73,962</u> | <u>\$ 0</u> | <u>\$ 36,873</u> | <u>\$ 25,289</u> | <u>\$ 420,793</u> | <u>\$ 858,714</u> |

In accordance with accounting policy, special event support collected as of December 31, 2019 and 2020 in advance of the following year's event was included in refundable advances at each year end. Subsequent to each year end, these events were cancelled and patrons and ticketholders declined refunds. Accordingly, the related support totaling approximately \$672,000 and \$879,000 in 2021 and 2020, respectively is recognized as a component of contribution income in the accompanying Statements of Activities.

FRIST ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE J -- NET ASSETS WITH DONOR RESTRICTIONS

Activity involving net assets with donor restrictions during the current and prior years is summarized below and on the following page:

| <u>Donor Restrictions:</u> | <u>Year Ended December 31, 2021</u> | | | |
|---|-------------------------------------|---------------------|--|------------------------------------|
| | <u>December 31,</u> <u>2020</u> | <u>Additions</u> | <u>Release of</u> <u>Restrictions</u> | <u>December 31,</u> <u>2021</u> |
| <u>Subject to passage of time:</u> | | | | |
| Contributions receivable | \$ 359,835 | \$ 569,578 | \$ (709,674) | \$ 219,740 |
| Building lease contributed by MDHA, including MDHA's renovations and improvements | <u>5,452,606</u> | <u>0</u> | <u>(711,204)</u> | <u>4,741,402</u> |
| Total Time Restricted | <u>5,812,441</u> | <u>569,578</u> | <u>(1,420,878)</u> | <u>4,961,142</u> |
| <u>Subject to expenditure for specified purpose:</u> | | | | |
| Cash proceeds from contributions designated for specific purposes | 1,724,310 | 1,578,688 | (1,061,473) | 2,241,525 |
| Investment income withdrawn from endowment | 0 | 37,107 | (37,107) | 0 |
| Net assets converted from passage of time restriction to specific purpose restriction | <u>0</u> | <u>(177,878)</u> | <u>177,878</u> | <u>0</u> |
| Total Purpose Restricted | <u>1,724,310</u> | <u>1,437,917</u> | <u>(920,702)</u> | <u>2,241,525</u> |
| <u>Perpetuity restriction:</u> | | | | |
| Endowment for support of CAP gallery (Note H) | 199,600 | 0 | 0 | 199,600 |
| Net appreciation (depreciation) in fair value | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Perpetuity Restricted | <u>199,600</u> | <u>0</u> | <u>0</u> | <u>199,600</u> |
| NET ASSETS WITH DONOR RESTRICTIONS | <u>\$ 7,736,351</u> | <u>\$ 2,007,495</u> | <u>\$ (2,341,579)</u> | <u>\$ 7,402,267</u> |

FRIST ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

| <u>Donor Restrictions:</u> | <u>Year Ended December 31, 2020</u> | | | |
|---|-------------------------------------|---------------------|------------------------------------|------------------------------|
| | <u>December 31, 2019</u> | <u>Additions</u> | <u>Release of Restrictions</u> | <u>December 31, 2020</u> |
| <u>Subject to passage of time:</u> | | | | |
| Contributions receivable | \$ 328,600 | \$ 859,518 | \$ (828,283) | \$ 359,835 |
| Building lease contributed by MDHA, including MDHA's renovations and improvements | 6,163,810 | 0 | (711,204) | 5,452,606 |
| Total Time Restricted | <u>6,492,410</u> | <u>859,518</u> | <u>(1,539,487)</u> | <u>5,812,441</u> |
| <u>Subject to expenditure for specified purpose:</u> | | | | |
| Cash proceeds from contributions designated for specific purposes | 2,070,899 | 706,600 | (1,053,189) | 1,724,310 |
| Investment income withdrawn from endowment | 0 | 28,246 | (28,246) | 0 |
| Net assets converted from passage of time restriction to specific purpose restriction | 0 | (175,862) | 175,862 | 0 |
| Total Purpose Restricted | <u>2,070,899</u> | <u>558,984</u> | <u>(905,573)</u> | <u>1,724,310</u> |
| <u>Perpetuity restriction:</u> | | | | |
| Endowment for support of CAP gallery (Note H) | 199,600 | 0 | 0 | 199,600 |
| Net (appreciation) depreciation in fair value | 0 | 0 | 0 | 0 |
| Total Perpetuity Restricted | <u>199,600</u> | <u>0</u> | <u>0</u> | <u>199,600</u> |
| NET ASSETS WITH DONOR RESTRICTIONS | <u>\$ 8,762,909</u> | <u>\$ 1,418,502</u> | <u>\$ (2,445,060)</u> | <u>\$ 7,736,351</u> |

FRIST ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE K -- PAYCHECK PROTECTION PROGRAM

During 2020, the U.S. government responded to the COVID-19 pandemic with the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The CARES Act authorized emergency loans via the Small Business Administration ("SBA") to eligible entities under the Paycheck Protection Program ("PPP"). In April 2020, FAM was granted a loan of \$1,026,705 under the PPP. Pursuant to this program, the loan is uncollateralized, fully guaranteed by the Federal government, and bears interest of 1% for a term not to exceed 2 years. In addition, some or all of the loan may be forgiven provided the proceeds are used as stipulated and FAM meets other specified employment thresholds. FAM recognized the loan in accordance with guidance for conditional contributions. Accordingly, the loan was initially recorded as a refundable advance and FAM recognized grant support as the funds were used for eligible costs while maintaining required employment thresholds. FAM recognized the full loan amount as a component of "Contributions and grants" in the 2020 Statement of Activities. FAM submitted an application and received official notification of full forgiveness of the loan from the SBA on May 19, 2021.

In February 2021, FAM was granted a second loan of \$1,060,140 under the PPP, with substantially similar terms. FAM recognized this loan consistently with the 2020 PPP proceeds. As of December 31, 2021 FAM had expended the proceeds for eligible costs and recognized this tranche of funding as a component of "Contributions and grants" in the 2021 Statement of Activities. Subsequent to year-end, FAM submitted an application and received official notification of full forgiveness of the loan from the SBA on March 4, 2022.

NOTE L -- OTHER OPERATING REVENUE AND EXPENSES

FAM offers various amenities and services that are designed to enhance the convenience of its members and patrons while they are visiting the museum. Examples of amenities and services include an on-site café, catering services, venue rentals, and on-site parking. The venue rental activity provides private groups with meeting rooms, catering services, and admission to the exhibition galleries during and after regular business hours.

During 2020, the United States of America experienced an unprecedented social and economic upheaval caused by the Coronavirus (COVID-19) pandemic and the declaration of a national emergency by federal authorities. The initial impact of this pandemic in the U.S. resulted in mandated closure of "non-essential" businesses. During 2020, FAM was closed to the public from March 16 through June 30. Upon reopening, daily hours of operation and operational procedures were adjusted to mitigate risk of COVID-19 exposure for visitors and staff. The café remained closed until early October 2020; subsequently, the café was permanently closed in December 2020.

Operating revenue from venue rentals for the years ended December 31, 2021 and 2020, is net of approximately \$10,000 and \$6,000, respectively, of admissions revenue generated during venue rental activities.

FRIST ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

Operating results for the aforementioned activities are summarized below and on the following page. The highlighted items represent captions and totals that are presented in the accompanying Statements of Activities.

| | <u>Café</u> | <u>Venue Rentals</u> | <u>Parking</u> | <u>Total</u> |
|--|--------------------|---------------------------|--------------------------|--------------------------|
| Year Ended December 31, 2021 | | | | |
| Other Operating Revenue | \$ 0 | \$ 82,830 | \$ 268,369 | \$ 351,199 |
| Direct Operating Expenses | | | | |
| Labor costs | 0 | (104,137) | 0 | (104,137) |
| Cost of sales | 0 | (27,851) | 0 | (27,851) |
| Other direct expenses | 0 | (3,956) | 0 | (3,956) |
| Total Direct Operating Expenses | <u>0</u> | <u>(135,944)</u> | <u>0</u> | <u>(135,944)</u> |
| Operating Income (Loss) before Depreciation and Allocated Indirect Expenses | 0 | (53,114) | 268,369 | 215,255 |
| Depreciation expense | 0 | 0 | 0 | 0 |
| Allocated indirect expenses | <u>0</u> | <u>(66,952)</u> | <u>(1,732)</u> | <u>(68,684)</u> |
| Total Depreciation and Allocated Indirect Expenses | <u>0</u> | <u>(66,952)</u> | <u>(1,732)</u> | <u>(68,684)</u> |
| NET OPERATING INCOME (LOSS) | <u>\$ 0</u> | <u>\$(120,066)</u> | <u>\$ 266,637</u> | <u>\$ 146,571</u> |

As presented in the 2021 Statement of Activities, "Other operating expenses" is comprised of the following totals shown above:

| | |
|--|----------------------------|
| Total Direct Operating Expenses | \$ (135,944) |
| Total Depreciation and Allocated Indirect Expenses | <u>(68,684)</u> |
| Other Operating Expenses | <u>\$ (204,628)</u> |

FRIST ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

| | <u>Café</u> | <u>Venue Rentals</u> | <u>Parking</u> | <u>Total</u> |
|--|---------------------------|--------------------------|--------------------------|---------------------------|
| Year Ended December 31, 2020 | | | | |
| Other Operating Revenue | \$ 46,723 | \$ 47,367 | \$ 114,376 | \$ 208,466 |
| Direct Operating Expenses | | | | |
| Labor costs | (254,950) | (41,172) | 0 | (296,122) |
| Cost of sales | (28,812) | (21,402) | 0 | (50,214) |
| Other direct expenses | <u>(24,469)</u> | <u>(1,935)</u> | <u>0</u> | <u>(26,404)</u> |
| Total Direct Operating Expenses | <u>(308,231)</u> | <u>(64,509)</u> | <u>0</u> | <u>(372,740)</u> |
| Operating Income (Loss) before Depreciation and Allocated Indirect Expenses | (261,508) | (17,142) | 114,376 | (164,274) |
| Depreciation expense | (15,667) | 0 | 0 | (15,667) |
| Allocated indirect expenses | <u>(100,594)</u> | <u>(31,325)</u> | <u>(12,615)</u> | <u>(144,534)</u> |
| Total Depreciation and Allocated Indirect Expenses | <u>(116,261)</u> | <u>(31,325)</u> | <u>(12,615)</u> | <u>(160,201)</u> |
| NET OPERATING INCOME (LOSS) | <u>\$(377,769)</u> | <u>\$(48,467)</u> | <u>\$ 101,761</u> | <u>\$(324,475)</u> |

As presented in the 2020 Statement of Activities, "Other operating expenses" is comprised of the following totals shown above:

| | |
|--|---------------------------|
| Total Direct Operating Expenses | \$ (372,740) |
| Total Depreciation and Allocated Indirect Expenses | <u>(160,201)</u> |
| Other Operating Expenses | <u>\$(532,941)</u> |

NOTE M -- EMPLOYEE RETIREMENT PLAN

FAM has established an employee retirement plan pursuant to Section 401(k) of the Internal Revenue Code. Substantially all employees who have attained the age of 21 are eligible to participate. Under the plan, employees may elect to defer and contribute a portion of their annual compensation, subject to the statutory limit, and FAM matches employee contributions at the rate of 100% of the first 6% of eligible compensation.

Contributions to the plan totaled \$205,093 and \$220,623 for the years ended December 31, 2021 and 2020, respectively. Discretionary employer contributions are permitted under the plan; however, no such contributions were made during the years ended December 31, 2021 and 2020.

FRIST ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE N -- RELATED PARTY TRANSACTIONS - LEGAL SERVICES

Since its inception, FAM has obtained various legal services from an attorney and the law firm of which he is a member, while the attorney served as FAM's corporate Secretary. These services and the related professional fees incurred (approximately \$31,300 and \$27,600 during the years ended December 31, 2021 and 2020, respectively) have been subjected to FAM's approval control policies and payment procedures that are applicable to unrelated service providers.

NOTE O -- COMMITMENTS, CONTINGENCIES, AND CONCENTRATIONS

COMMITMENTS

Exhibition Participation Fees: In addition to loan fees, exhibition loan agreements typically require that a portion of incidental exhibition costs (i.e., "shared costs") be paid by FAM as reimbursement to the lending museum or collector. Examples of such shared costs may include: conservation surveys, pre-travel packing and crating services, transportation and insurance, construction of exhibition cases and special mountings, environmental assessments and monitoring, registrar and curatorial services, and travel reimbursements. Shared costs specified in exhibition loan agreements may require fixed or variable payments for specific types of expenditures.

With respect to exhibition loan agreements executed through December 31, 2021, FAM is obligated to make future payments of participation fees as follows:

| | <u>Exhibition Loan Fees</u> | <u>Estimated Shared Costs</u> | <u>Total</u> |
|-----------------------|---------------------------------|---------------------------------------|-------------------|
| <u>Calendar Year:</u> | | | |
| 2022 | \$ 190,813 | \$ 255,527 | \$ 446,340 |
| 2023 | 163,431 | 247,064 | 410,495 |
| 2024 | <u>32,200</u> | <u>106,800</u> | <u>139,000</u> |
| Total | <u>\$ 386,444</u> | <u>\$ 609,391</u> | <u>\$ 995,835</u> |

Equipment Leases, Maintenance, and Licensing Agreements: FAM obtains the use of certain office equipment via operating leases with commercial leasing companies. These leases require monthly payments over the stated lease terms, which are typically two to four years. In the aggregate, the lease payments are not considered material and are expensed as incurred.

FAM has entered into various maintenance agreements related to equipment that it owns or leases. These agreements generally require annual payments and may offer a discount in exchange for agreeing to a multi-year service period. None of the commitment obligations required by these maintenance agreements are considered individually material.

FRIST ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

Effective October 29, 2020, FAM entered into a three-year licensing agreement with a commercial vendor for use of donor management software. As of December 31, 2021, the remaining annual payment under this agreement totaling \$46,272 is scheduled to be paid in 2022.

In addition, FAM has entered into other licensing agreements for the use of software and on-line services in conjunction with various aspects of its operations. These agreements generally require annual payments over a multi-year service period, however, none of the commitment obligations is considered individually material.

Other Commitments:

Effective December 2, 2021, FAM entered into an agreement with an unrelated roofing contractor to replace the roof of the building leased from MDHA. As of December 31, 2021, the remaining commitment is approximately \$1,369,000, which is expected to be paid in 2022.

Effective December 3, 2021, FAM entered into a three-year service agreement with a commercial vendor to provide cloud-based communication services. This agreement requires three annual payments of \$32,289 beginning in 2022.

Effective December 29, 2021, FAM entered into a one-year agreement with a public relations consulting company to provide strategic communication counsel. As of December 31, 2021, the remaining commitment is \$35,000, which is expected to be paid in 2022.

CONCENTRATIONS

Annual Operating Support from Private Foundation: Since its inception, FAM has received annual operating support from a private foundation that is recognized as a "substantial contributor" under federal tax rules and regulations. Contributions received from this private foundation during the years ended December 31, 2021 and 2020, totaled \$6,615,632 and \$5,463,816, respectively, which represents 40% of FAM's total support and revenues in each year. Due to the relative significance of the annual contributions from this donor to FAM's total support and revenue, a significant concentration of annual operating support is deemed to exist with respect to this private foundation donor.

FRIST ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE P -- RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which requires lessees to recognize leases on the Statement of Financial Position and disclose key information about leasing arrangements. The new standard establishes a right-of-use model ("ROU") that requires a lessee to recognize a ROU asset and lease liability on the Statement of Financial Position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the Statement of Activities. ASU 2016-02 is required to be implemented in fiscal years beginning after December 15, 2021. FAM expects to adopt ASU 2016-02 on January 1, 2022. FAM has not yet determined the impact that adoption of this new standard will have on its financial statements, however, based on preliminary review, it is not expected to have a material effect.

In September 2020, FASB issued Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the Statement of Activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the types of assets received. This distinction is intended to increase transparency of contributions recognized and is effective for fiscal years beginning after June 15, 2021. FAM plans to adopt this guidance effective January 1, 2022, and has not yet determined the impact that adoption of this new standard will have on its financial statements.