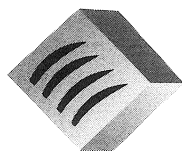


**LIBERTY MEMORIAL ASSOCIATION
d/b/a THE NATIONAL WWI MUSEUM
AND MEMORIAL**

YEARS ENDED DECEMBER 31, 2020 AND 2019



HOUSE PARK DOBRATZ & WIEBLER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

LIBERTY MEMORIAL ASSOCIATION
d/b/a THE NATIONAL WWI MUSEUM AND MEMORIAL
YEARS ENDED DECEMBER 31, 2020 AND 2019

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HOUSE PARK DOBRATZ & WIEBLER, P.C.
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Independent Auditors' Report

Board of Trustees
Liberty Memorial Association
d/b/a The National WWI Museum
Kansas City, Missouri

We have audited the accompanying financial statements of Liberty Memorial Association d/b/a The National WWI Museum and Memorial (the Museum) which comprise the statements of financial position as of December 31, 2020 and 2019 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 above present fairly, in all material respects, the financial position of Liberty Memorial Association d/b/a The National WWI Museum and Memorial as of December 31, 2020 and 2019, 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.

House Park Dobratz & Wiebler, P.C.

Kansas City, Missouri
August 19, 2021

LIBERTY MEMORIAL ASSOCIATION
d/b/a THE NATIONAL WWI MUSEUM AND MEMORIAL

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 11,801,978	\$ 6,116,584
Grants and accounts receivable, less allowance for doubtful accounts of \$0 and \$1,288 as of December 31, 2020 and 2019, respectively (Note 5)	158,238	141,097
Unconditional promises to give, less allowance for doubtful accounts of \$62,750 and \$86,667 as of December 31, 2020 and 2019, respectively (Notes 2 and 5)	6,107,040	1,761,293
Investments (Note 3)	4,518,228	5,168,906
Prepaid expenses	94,996	51,509
Inventory	145,708	167,210
Property and equipment (Note 4)	<u>9,097,655</u>	<u>9,773,602</u>
	<u>\$ 31,923,843</u>	<u>\$ 23,180,201</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 37,495	\$ 176,046
Accrued expenses	238,682	125,357
Deferred revenue (Note 8)	218,333	223,108
PPP loan (Note 5)	<u>646,800</u>	<u>524,511</u>
	<u>1,141,310</u>	<u>524,511</u>
Commitments and contingency (Notes 10 and 12)		
Net assets:		
Without donor restrictions:		
Available for mission	12,491,096	14,807,756
Board designated reserve (Note 7)	<u>347,517</u>	<u>317,665</u>
	12,838,613	15,125,421
With donor restrictions (Notes 6 and 7)	<u>17,943,920</u>	<u>7,530,269</u>
	<u>30,782,533</u>	<u>22,655,690</u>
	<u>\$ 31,923,843</u>	<u>\$ 23,180,201</u>

See notes to financial statements.

LIBERTY MEMORIAL ASSOCIATION
d/b/a THE NATIONAL WWI MUSEUM AND MEMORIAL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2020

	Without donor restrictions	With donor restrictions	<u>Total</u>
Revenues:			
Contributions	\$ 422,663	\$ 11,325,789	\$ 11,748,452
Governmental grants (Note 8)	823,850		823,850
Special events:			
Gross revenue	676,309		676,309
Direct donor benefits	(139,215)		(139,215)
Memberships	<u>138,961</u>		<u>138,961</u>
Total support	1,922,568	<u>11,325,789</u>	<u>13,248,357</u>
Admissions, facility use and other	1,196,181		1,196,181
Merchandise and café sales, less cost of goods sold of \$165,229	103,626		103,626
Museum program income	46,194		46,194
Investment income (Note 3)	<u>73,785</u>	<u>436,158</u>	<u>509,943</u>
Total revenue	3,342,354	11,761,947	15,104,301
Net assets released from restrictions (Note 6)	<u>1,348,296</u>	<u>(1,348,296)</u>	<u> </u>
	<u>4,690,650</u>	<u>10,413,651</u>	<u>15,104,301</u>
Expenses:			
Program services:			
Museum operations	4,305,592		4,305,592
Collections management and research	811,857		811,857
Public programs	<u>654,644</u>		<u>654,644</u>
Total program services	5,772,093		5,772,093
Supporting services:			
Management and general	761,096		761,096
Fundraising and development	<u>406,351</u>		<u>406,351</u>
Total supporting services	1,167,447		1,167,447
Total expenses	<u>6,939,540</u>		<u>6,939,540</u>
Change in net assets before collection purchases	(2,248,890)	10,413,651	8,164,761
Collection purchases	<u>(37,918)</u>		<u>(37,918)</u>
Change in net assets	(2,286,808)	10,413,651	8,126,843
Net assets, beginning of year	<u>15,125,421</u>	<u>7,530,269</u>	<u>22,655,690</u>
Net assets, end of year	<u>\$ 12,838,613</u>	<u>\$ 17,943,920</u>	<u>\$ 30,782,533</u>

See notes to financial statements.

LIBERTY MEMORIAL ASSOCIATION
d/b/a THE NATIONAL WWI MUSEUM AND MEMORIAL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2019

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues:			
Contributions	\$ 413,192	\$ 2,892,253	\$ 3,305,445
Governmental grants (Note 8)	817,815		817,815
Special events:			
Gross revenue	1,493,820		1,493,820
Direct donor benefits	(898,662)		(898,662)
Memberships	<u>175,345</u>		<u>175,345</u>
Total support	2,001,510	2,892,253	4,893,763
Admissions, facility use and other	3,230,296		3,230,296
Merchandise and café sales, less cost of goods sold of \$341,022	418,167		418,167
Museum program income	102,366		102,366
Investment income (Note 3)	<u>299,706</u>	<u>416,138</u>	<u>715,844</u>
Total revenue	6,052,045	3,308,391	9,360,436
Net assets released from restrictions (Note 6)	<u>3,284,143</u>	<u>(3,284,143)</u>	<u> </u>
	<u>9,336,188</u>	<u>24,248</u>	<u>9,360,436</u>
Expenses:			
Program services:			
Museum operations	4,548,612		4,548,612
Collections management and research	842,447		842,447
Public programs	<u>1,303,943</u>		<u>1,303,943</u>
Total program services	<u>6,695,002</u>		<u>6,695,002</u>
Supporting services:			
Management and general	842,622		842,622
Fundraising and development	<u>634,888</u>		<u>634,888</u>
Total supporting services	<u>1,477,510</u>		<u>1,477,510</u>
Total expenses	<u>8,172,512</u>		<u>8,172,512</u>
Change in net assets before collection purchases	1,163,676	24,248	1,187,924
Collection purchases	<u>(39,402)</u>		<u>(39,402)</u>
Change in net assets	1,124,274	24,248	1,148,522
Net assets, beginning of year	<u>14,001,147</u>	<u>7,506,021</u>	<u>21,507,168</u>
Net assets, end of year	<u>\$ 15,125,421</u>	<u>\$ 7,530,269</u>	<u>\$ 22,655,690</u>

See notes to financial statements.

**LIBERTY MEMORIAL ASSOCIATION
d/b/a THE NATIONAL WWI MUSEUM AND MEMORIAL**

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Museum operations	Collections management and research	Public programs	Total program services	Management and general	Fundraising and development	Total
Salaries	\$ 1,268,249	\$ 450,108	\$ 397,818	\$ 2,116,175	\$ 504,912	\$ 245,126	\$ 2,866,213
Employment health and retirement benefits (Note 9)	240,234	70,710	64,632	375,576	99,397	30,355	505,328
Payroll taxes	95,300	32,035	28,887	156,222	27,357	17,581	201,160
Total salaries and related expenses	<u>1,603,783</u>	<u>552,853</u>	<u>491,337</u>	<u>2,647,973</u>	<u>631,666</u>	<u>293,062</u>	<u>3,572,701</u>
Bank charges	44,888		119	45,007	7,358	3,033	55,398
Contract services	530,890	2,050	18,083	551,023	1,565	3,838	556,426
Curatorial, research and exhibition Depreciation (Note 4)	727,465	158,416	150	727,465			158,566
Dues and subscriptions	613			613	5,251		727,465
Educational expenses	1,461	411	68,090	69,962	1,000	25	5,864
Equipment leases (Note 10)	2,201		294	2,495	13,189		70,987
Fundraising	6,063			6,063		74,758	15,684
Insurance	52,592	12,587	13,914	79,093	6,968	2,354	80,821
Licenses, software and fees	13,550	13,194	1,565	28,309	3,407		88,415
Marketing	75,883	53,486	24,166	153,535	27,500	26,096	31,716
Meeting expenses	1,914	435	3,464	5,813	3,764	1,009	207,131
Museum services and other	6,117		24	6,141	1,350	(23,715)	10,586
Office and store supplies	35,347	152	690	36,189	5,426	1,816	16,224
Postage	16,274	77	641	16,992	3,447	7,164	43,431
Payroll processing fees	4,408	975	242	5,625	2,140	245	27,603
Personnel expenses	2,298	1,002	111	3,411	4,178	920	8,010
Printing	17,296	4,425	8,721	30,442	403	13,950	8,509
Professional fees	1,795			1,795	34,424	(20)	44,795
Repairs and maintenance	402,128			402,128	30	467	36,199
Technology	191,983	9,134	15,030	216,147	97	365	402,625
Telephone	21,374	2,187	3,559	27,120	4,778	914	216,609
Travel		473	4,444	4,917	3,155	70	32,812
Utilities	<u>545,269</u>			<u>545,269</u>			<u>8,142</u>
	<u>\$ 4,305,592</u>	<u>\$ 811,857</u>	<u>\$ 654,644</u>	<u>\$ 5,772,093</u>	<u>\$ 761,096</u>	<u>\$ 406,351</u>	<u>\$ 6,939,540</u>

See notes to financial statements.

**LIBERTY MEMORIAL ASSOCIATION
d/b/a THE NATIONAL WWI MUSEUM AND MEMORIAL**

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Museum operations	Collections management and research	Public programs	Total program services	Management and general	Fundraising and development	Total
Salaries	\$ 1,184,325	\$ 419,679	\$ 422,100	\$ 2,026,104	\$ 419,125	\$ 262,402	\$ 2,707,631
Employment health and retirement benefits (Note 9)	247,174	70,324	77,434	394,932	104,072	39,458	538,462
Payroll taxes	85,901	29,584	30,708	146,193	26,460	18,482	191,135
Total salaries and related expenses	<u>1,517,400</u>	<u>519,587</u>	<u>530,242</u>	<u>2,567,229</u>	<u>549,657</u>	<u>320,342</u>	<u>3,437,228</u>
Bank charges	93,854	(131)		93,723	23,483	2	117,208
Contract services	448,192	16,410	97,913	562,515	124,397	71,182	758,094
Curatorial, research and exhibition	1,958	218,539	7,604	228,101	25,000		253,101
Depreciation (Note 4)	742,354			742,354			742,354
Dues and subscriptions	1,668	491	590	2,749	8,621	1,953	13,323
Educational expenses	13,109	645	455,172	468,926		85	469,011
Equipment leases (Note 10)	11,464			11,464	2,272		14,872
Fundraising	22,990		5,383	33,991		172,530	206,521
Insurance	40,845	5,618	9,224	62,453	4,315	2,306	69,074
Licenses, software and fees	30,481	12,384	365	32,560	(571)	2,160	34,149
Marketing	132,813	1,714	38,521	199,718	2,056	16,650	218,424
Meals and entertainment	14,381	28,384		14,381			14,381
Meeting expenses	6,498	960	1,189	8,647	7,844	7,957	24,448
Museum services and other	8,371			8,371	283	9,946	18,600
Office and store supplies	37,937		5,663	45,390	10,563	1,200	57,153
Postage	7,814	1,790	307	10,373	(697)	14,033	23,709
Payroll processing fees	4,411	2,252	254	5,639	2,082	237	7,958
Personnel expenses	6,108	974	1,469	8,233	4,460	2,391	15,084
Printing	87,640	656	22,771	125,217	3,644	8,447	137,308
Professional fees	763	14,806	129	892	43,540		44,432
Repairs and maintenance	429,919	437	99,867	530,223	213		530,436
Technology	232,362	8,854	5,170	246,386	1,457	82	247,925
Telephone	21,529	2,685	4,236	28,450	4,068	2,140	34,658
Travel	15,296	5,392	17,874	38,562	25,935	109	64,606
Utilities	618,455			618,455			618,455
	<u>\$ 4,548,612</u>	<u>\$ 842,447</u>	<u>\$ 1,303,943</u>	<u>\$ 6,695,002</u>	<u>\$ 842,622</u>	<u>\$ 634,888</u>	<u>\$ 8,172,512</u>

See notes to financial statements.

LIBERTY MEMORIAL ASSOCIATION
d/b/a THE NATIONAL WWI MUSEUM AND MEMORIAL

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 8,126,843	\$ 1,148,522
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	727,465	742,354
Realized gains on investments	(75,775)	(81,241)
Unrealized gains on investments	(340,679)	(481,390)
Changes in:		
Grants and accounts receivable	(17,141)	175,717
Unconditional promises to give	(4,345,747)	937,424
Prepaid expenses	(43,487)	28,171
Inventory	21,502	(12,135)
Accounts payable	(138,551)	(16,557)
Accrued expenses	113,325	(2,953)
Deferred revenue	(4,775)	1,305
Net cash provided by operating activities	<u>4,022,980</u>	<u>2,439,217</u>
Cash flows from investing activities:		
(Purchases of) proceeds from investments, net	1,067,132	(947,815)
Purchase of property and equipment	(51,518)	(659,202)
Net cash provided (used) by investing activities	<u>1,015,614</u>	<u>(1,607,017)</u>
Cash flows from financing activities, proceeds from PPP loan (Note 5)	<u>646,800</u>	
Net increase in cash and cash equivalents	5,685,394	832,200
Cash and cash equivalents at beginning of year	<u>6,116,584</u>	<u>5,284,384</u>
Cash and cash equivalents at end of year	<u>\$ 11,801,978</u>	<u>\$ 6,116,584</u>

See notes to financial statements.

LIBERTY MEMORIAL ASSOCIATION
d/b/a THE NATIONAL WWI MUSEUM AND MEMORIAL

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

1. Organization and summary of significant accounting policies:

Nature of activities:

Liberty Memorial Association d/b/a The National WWI Museum and Memorial (the Museum), a Missouri not-for-profit corporation, was formed in 1919 to honor those who gave service during World War I through the construction of a memorial and museum complex in 1926. The Museum buildings and the surrounding parklands, all told 47 acres, are owned by the City of Kansas City, Missouri (the City), and the Museum artifacts are owned by the Museum. The original Museum comprised two 2,550 square-foot buildings to house the collection, the Tower and additional exterior architectural elements and artistic renderings. On October 6, 2000, the Museum was listed on the National Register of Historic Places. The original Museum was restored in 2002 pursuant to guidelines established by the State of Missouri Historical Preservation Office and met the criteria of the Secretary of the Interior's Standards for the Treatment of Historic Properties. The Museum's rededication ceremony was held on Memorial Day of 2002. As a result of the restoration, significant underground space became available for the expanded Museum exhibit area (30,000 square feet) and the associated research and archival storage areas (22,000 square feet). Restoration and expansion efforts were validated in the *Historic Structure, Landscape, and Preservation Planning Report for Liberty Museum* prepared by John G. Waite Associates, Architects, PLLC.

The grand opening of the expanded Museum, designated by the United States Congress as the National World War I Museum in 2004, took place on December 2, 2006. The expanded Museum displays or stores virtually all of the Museum's collection of objects and artifacts. This rich, diverse, comprehensive collection representing all facets of World War I has grown to more than 351,000 objects and artifacts as of December 31, 2020. Pursuant to the guidelines of the American Association for State and Local History (AASLH), the collection has not been capitalized because the AASLH believes that collections are not financial assets, but constitute a separate category of resource directly fulfilling institutional missions, legal responsibilities and fiduciary obligations. The Museum has agreed to follow the AASLH's *Statement of Professional Standards and Ethics*, which specifically concludes that collections shall not be capitalized nor treated as financial assets. Accessions to the collection, which often include multiple artifacts, totaled 173 and 172 in 2020 and 2019, respectively.

In 2014 the Congress of the United States designated the Museum as a national World War I memorial, thereby giving the Museum the designation as The National WWI Museum and Memorial.

The Museum's core initiatives are supported by donor contributions, an agreement with the City and its Parks and Recreation Department for the operation and maintenance of the Museum and revenues from admissions, space rentals, café operations and the sale of merchandise. For financial statement purposes, the Museum's current core programs are as follows:

LIBERTY MEMORIAL ASSOCIATION
d/b/a THE NATIONAL WWI MUSEUM AND MEMORIAL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2020 AND 2019

1. Organization and summary of significant accounting policies (continued):

Nature of activities (continued):

Museum operations – reflects the operating expenses of the Museum (including the Liberty Memorial Tower, multiple exhibit halls, café, auditorium, and other event rental spaces), including care and upkeep of the 47-acre campus.

Collections management and research – includes the curatorial team; as well as the cataloging, preservation, storage, research and exhibition of artifacts and archives, including digitization for on-line viewing of the collection.

Educational and other public programs – for staff, content and other costs associated with the public education and community interest programs, including youth outreach and on-line educational content.

Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

All financial transactions have been recorded in and reported by the following net asset groups:

Net assets without donor restrictions represent resources over which the Board of Trustees has discretionary control and are used to carry out the operations of the Museum in accordance with its bylaws.

Net assets with donor restrictions represent resources available for use currently or in the future, but expendable only for purposes specified by the donor or within a donor-designated time period. Resources of these funds originate from gifts and grants.

The Museum reports gifts of cash and other assets as donor-restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Donor-restricted support whose restrictions are satisfied in the same reporting year are reported as support within net assets without donor restrictions.

The Museum estimates its allowance for doubtful accounts based on prior years' experience and management's analysis of specific promises made.

LIBERTY MEMORIAL ASSOCIATION
d/b/a THE NATIONAL WWI MUSEUM AND MEMORIAL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2020 AND 2019

1. Organization and summary of significant accounting policies (continued):

Investments:

Investments consist of common stocks, money market funds, equity funds, fixed income and bond funds, and limited partnerships. Investments are stated at fair value as determined by the investment custodians and managers. Cost is determined by purchase price or fair value at the time of donation, if donated.

Inventory:

Inventory comprises merchandise for resale and is stated at lower of cost, determined on the first-in, first-out basis, or market.

Property and equipment

The Museum facility is owned by the City, and the operating agreement with the City provides that certain property and equipment acquired by the Museum that is permanently affixed to the Museum building and grounds and property that is acquired with proceeds of bonds issued by the City, are the property of the City.

Property and equipment acquisitions by the Museum are recorded at cost in the financial statements and are being depreciated over the shorter of their estimated useful lives or the terms of the operating agreement (Note 8), including renewals. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated assets to a specific purpose. The Museum capitalizes property and equipment over \$5,000.

Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Exhibition space and facility improvements	15-30
Transportation equipment	5
Equipment and furnishings	3-15

Deferred revenue:

Deferred revenue represents amounts received in advance from facility rentals, programs and the management fee received from the City for services to be provided in the subsequent year.

LIBERTY MEMORIAL ASSOCIATION
d/b/a THE NATIONAL WWI MUSEUM AND MEMORIAL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2020 AND 2019

1. Organization and summary of significant accounting policies (continued):

Special events:

Direct donor benefits are shown as a reduction of related revenue on the accompanying statements of activities and changes in net assets. Direct donor benefits consist of food and beverage provided to attendees.

Contributed services:

A significant number of individuals contribute their services to the Museum as volunteers. The volunteers serve as greeters, docents, educational assistants, research assistants, perform other visitor service functions and provide administrative support. During 2020, volunteers recorded 37,870 hours of service. The value of this contributed time is not reflected in these financial statements since it did not enhance non-financial assets or require specialized skills.

Use of estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes:

The Museum is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Museum follows GAAP related to uncertain tax positions. The Organization's accounting policy is to provide liabilities for uncertain income tax provisions when a liability is probable and estimable.

The Museum had no uncertain income tax positions for the years ended December 31, 2020 and 2019, and is not aware of any violation of its tax status as an organization exempt from income taxes. The Museum is no longer subject to audits for Federal or state purposes for years prior to 2017.

Concentrations of credit risk:

Financial instruments which potentially subject the Museum to significant concentrations of credit risk consist principally of cash and cash equivalents and investments. The Museum maintains its bank accounts at financial institutions with a high credit standing located in the Kansas City metropolitan area where accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balance in these accounts frequently exceeds federally-insured limits. Cash equivalents of \$242,164 and \$1,316,101 at December 31, 2020 and 2019, respectively, are invested in money market funds which are not insured by the FDIC, but are secured by Government bonds.

LIBERTY MEMORIAL ASSOCIATION
d/b/a THE NATIONAL WWI MUSEUM AND MEMORIAL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2020 AND 2019

1. Organization and summary of significant accounting policies (continued):

Concentrations of credit risk (continued):

The Museum invests in various investment securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

The Museum received funding from the City totaling \$668,850 and \$706,195 for the years ended December 31, 2020 and 2019, respectively. These amounts represent 4.4% and 7.5% of the total revenue for the years ended December 31, 2020 and 2019, respectively.

In 2019 the Museum served as a conduit for the pass-through of funds for an erosion control capital project on the east side of the Museum and Memorial campus.

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classifications. Other expenses that are common to programs and support services are allocated based on management's estimate of resources devoted to each.

Marketing:

The Museum expenses all marketing costs as they are incurred. Marketing costs were \$207,131 and \$218,424 for the years ended December 31, 2020 and 2019, respectively.

Subsequent events:

Subsequent events have been evaluated through August 19, 2021, which is the date the financial statements were available to be issued.

LIBERTY MEMORIAL ASSOCIATION
d/b/a THE NATIONAL WWI MUSEUM AND MEMORIAL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2020 AND 2019

2. Unconditional promises to give:

Unconditional promises to give consist of the following:

	<u>2020</u>	<u>2019</u>
Memorial courtyard repairs		\$ 1,000,000
Gallery refresh project	\$ 5,000,000	50,000
Education programs	970,000	399,333
Unrestricted	<u>360,300</u>	<u>404,300</u>
	6,330,300	1,853,633
Allowance for doubtful accounts	(62,750)	(86,667)
	6,267,550	1,766,966
Discount to present value	(160,510)	(5,673)
	<u>\$ 6,107,040</u>	<u>\$ 1,761,293</u>

	<u>2020</u>	<u>2019</u>
Amounts due in:		
Less than one year	\$ 3,495,550	\$ 1,698,666
One to five years	<u>2,611,490</u>	<u>62,627</u>
	<u>\$ 6,107,040</u>	<u>\$ 1,761,293</u>

Unconditional promises to give due more than one year from December 31, 2020 have been discounted at 5%.

3. Investments:

	<u>Fair value</u>	<u>Cost</u>	<u>Excess of fair value (cost)</u>
December 31, 2020:			
Without donor restrictions:			
Money market funds	\$ 22,753	\$ 22,753	
Equity funds	186,117	157,638	
Fixed income funds	127,716	123,917	
Alternative investments	<u>10,931</u>	<u>10,361</u>	
Total unrestricted	<u>347,517</u>	<u>314,669</u>	
With donor restrictions:			
Money market funds	219,411	219,411	
Common stock	872,524	510,112	
Equity funds	1,407,012	1,097,227	
Fixed income funds	1,003,038	957,547	
Government and agency bonds	227,326	208,006	
Corporate bonds	380,849	359,613	
Alternative investments	<u>60,551</u>	<u>59,813</u>	
Total temporarily restricted	<u>4,170,711</u>	<u>3,411,729</u>	

LIBERTY MEMORIAL ASSOCIATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2020 AND 2019

3. Investments (continued):

December 31, 2020 (continued):

	<u>Fair value</u>	<u>Cost</u>	<u>Excess of fair value (cost)</u>
Balance, end of year	\$ 4,518,228	\$ 3,726,398	\$ 791,830
Balance, beginning of year	\$ 5,168,906	\$ 4,717,755	451,151
Unrealized gain for the year			340,679
Realized gains			<u>75,775</u>
Net realized and unrealized gains on investments			<u>\$ 416,454</u>
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Investment income:			
Interest and dividends	\$ 66,628	\$ 49,285	\$ 115,913
Net realized gains	16,497	59,278	75,775
Net unrealized gains (losses)	(735)	341,414	340,679
Investment fees	<u>(8,605)</u>	<u>(13,819)</u>	<u>(22,424)</u>
	<u>\$ 73,785</u>	<u>\$ 436,158</u>	<u>\$ 509,943</u>
	<u>Fair value</u>	<u>Cost</u>	<u>Excess of fair value (cost)</u>
December 31, 2019:			
Without donor restrictions:			
Money market funds	\$ 22,736	\$ 22,736	
Equity funds	166,836	151,913	
Fixed income funds	117,783	117,446	
Alternative investments	<u>10,310</u>	<u>10,361</u>	
Total unrestricted	<u>317,665</u>	<u>302,456</u>	
With donor restrictions:			
Money market funds	1,293,365	1,293,365	
Common stock	684,219	467,389	
Equity funds	1,718,840	1,521,097	
Fixed income funds	505,904	498,431	
Government and agency bonds	197,521	190,870	
Corporate bonds	394,827	387,067	
Alternative investments	<u>56,565</u>	<u>57,080</u>	
Total temporarily restricted	<u>4,851,241</u>	<u>4,415,299</u>	

LIBERTY MEMORIAL ASSOCIATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2020 AND 2019

3. Investments (continued):

December 31, 2019 (continued):

	<u>Fair value</u>	<u>Cost</u>	<u>Excess of fair value (cost)</u>
Balance, end of year	\$ <u>5,168,906</u>	\$ <u>4,717,755</u>	\$ 451,151
Balance, beginning of year	\$ <u>3,658,460</u>	\$ <u>3,688,699</u>	(30,239)
Unrealized gain for the year			481,390
Realized gains			<u>81,241</u>
Net realized and unrealized gains on investments			<u>\$ 562,631</u>
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Investment income:			
Interest and dividends	\$ 127,544	\$ 47,058	\$ 174,602
Net realized gains	32,163	49,078	81,241
Net unrealized gains	148,231	333,159	481,390
Investment fees	(8,232)	(13,157)	(21,389)
	<u>\$ 299,706</u>	<u>\$ 416,138</u>	<u>\$ 715,844</u>

The Museum follows GAAP which defines fair value as the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs including quoted prices in active markets for similar assets and Level 3 inputs consist of unobservable inputs that are supported by little or no market activity and have the lowest priority.

The Museum uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Museum measures fair value using Level 1 inputs because they generally provided the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. As of December 31, 2020 and 2019, all of the Museum's investments were valued using Level 1 inputs.

LIBERTY MEMORIAL ASSOCIATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2020 AND 2019

4. Property and equipment:

	<u>2020</u>	<u>2019</u>
Exhibition space	\$ 11,964,817	\$ 11,944,909
Facility improvements	1,356,774	1,325,164
Transportation equipment	17,295	17,295
Equipment and furnishings	2,510,043	2,510,043
Construction in progress	<u>150,000</u>	<u>150,000</u>
	15,998,929	15,947,411
Accumulated depreciation	<u>(6,901,274)</u>	<u>(6,173,809)</u>
	<u>\$ 9,097,655</u>	<u>\$ 9,773,602</u>

Depreciation expense was \$727,465 and \$742,354 for the years ended December 31, 2020 and 2019, respectively.

5. Line of credit/PPP loan:

The Museum has a line of credit with Bank of Blue Valley for \$1,000,000. The line is secured by receivables, bears interest at 5.25% and matures July 24, 2021. No amounts were drawn on this line of credit during the years ended December 31, 2020 and 2019. There is an annual maintenance fee of \$1,000 associated with this line of credit.

During 2020, the Museum received a loan under the government's Paycheck Protection Program (PPP) in the amount of \$646,800. The loan was obtained through a local bank. PPP loans received from the government are forgivable provided the recipients meet certain requirements. The requirements related to spending the funds primarily for salaries. The Museum has met these requirements and the PPP loan was forgiven in April 2021.

6. Net assets with donor restrictions:

Donor restricted net assets are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Artifact acquisition, including endowment net assets of \$71,706 and \$61,178 as of December 31, 2020 and 2019, respectively	\$ 77,706	\$ 67,178
Collection digitization	500,000	136,500
Education center furnishings	7,125	27,034
Educational, lecture and other, including endowment net assets of \$676,963 and \$485,170 as of December 31, 2020 and 2019, respectively	1,377,394	1,220,982
Gallery refresh project	10,933,138	3,097,051
Time restricted pledges	315,500	419,300
Upgrades to guest experience and auditorium	<u>374,097</u>	<u>114,264</u>
	13,584,960	5,082,309
Permanently restricted endowment funds	<u>4,358,960</u>	<u>2,447,960</u>
Total net assets with donor restrictions	<u>\$ 17,943,920</u>	<u>\$ 7,530,269</u>

LIBERTY MEMORIAL ASSOCIATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2020 AND 2019

6. Net assets with donor restrictions (continued):

Net assets released from donor restrictions by incurring expenses satisfying the purpose or satisfaction of time restrictions were as follows:

	<u>2020</u>	<u>2019</u>
Artifact acquisition	\$ 18,470	\$ 20,227
Educational, lecture and other	647,223	1,546,407
Gallery refresh project	346,034	929,265
Digitization, distance learning and other	136,500	70,099
Upgrades to guest experience and auditorium	<u>200,069</u>	<u>718,145</u>
	<u>\$ 1,348,296</u>	<u>\$ 3,284,143</u>

7. Endowment and reserve funds:

The State of Missouri has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA provides guidance and authority concerning the management and investment of donor funds and provides the Museum’s governing board certain guidelines to use when determining what is prudent in terms of retaining and spending permanently restricted donor funds. Under the provision of UPMIFA, organizations are required to maintain and report endowment funds based upon donor intent, whether explicit or implied. Based on its interpretation of the provisions of UPMIFA and a review of underlying endowment agreements, management has determined that maintaining permanent endowments at their historic dollar value is appropriate and consistent with the intent of the Museum’s donors.

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the fund’s original value, generally due to unfavorable market fluctuations. Deficiencies of this nature would be disclosed. There were no such deficiencies at December 31, 2020 or 2019.

The Museum’s donor restricted funds consist of a permanent endowment fund established in connection with the award of a \$500,000 National Endowment for the Humanities (NEH) Challenge Grant to the Museum, subject to a matching requirement of one dollar of NEH funds for every three dollars raised by the Museum. This matching requirement was met in 2009. The income from the endowment is to be used 90% for educational programming and 10% for artifact acquisition.

The Museum is strengthening its philanthropic engagement with the intent of building its endowment and reserve funds. The Museum seeks to create various endowed funds to support all aspects of Museum operations, care and upkeep of the Museum and upkeep of the grounds. A comprehensive fundraising campaign “Call to Duty” is supporting these initiatives.

Board-designated reserve consists of a fund established in 2009 to provide resources to support the Museum’s operations and is included in net assets without donor restrictions.

LIBERTY MEMORIAL ASSOCIATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2020 AND 2019

7. Endowment and reserve funds (continued):

The 2020 changes in the endowment net assets are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Beginning of year	\$ 317,665	\$ 2,994,308	\$ 3,311,973
Contributions	7,908	1,911,000	1,918,908
Interest and dividend income, net of investment fees	5,151	35,466	40,617
Net realized and unrealized gains	24,797	400,692	425,489
Grants	(8,004)	(123,393)	(131,397)
End of year	<u>\$ 347,517</u>	<u>\$ 5,218,073</u>	<u>\$ 5,565,590</u>

The 2019 changes in the endowment net assets are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Beginning of year	\$ 273,783	\$ 2,698,069	\$ 2,971,852
Contributions	3,073		3,073
Interest and dividend income, net of investment fees	5,424	33,853	39,277
Net realized and unrealized gains	38,552	382,286	420,838
Grants	(3,167)	(119,900)	(123,067)
End of year	<u>\$ 317,665</u>	<u>\$ 2,994,308</u>	<u>\$ 3,311,973</u>

The Museum has adopted investment and spending policies for endowment and other extended-time horizon assets that attempt to provide a reasonable rate of return as a source of funding to programs supported by its endowments. Under the investment policy, endowment assets are to be invested in various asset classes while assuming a reasonable level of investment risk.

To satisfy its long-term objectives of equity preservation and growth, the Museum has adopted a total return strategy for investment returns through both capital appreciation and current income using an asset allocation policy that allows for investing in equity-related securities to achieve its return objectives. The current target allocation for these assets is 45% money market and fixed income investments and 55% equities; and the current target allocation for mid-term assets (3-5 year time horizon) is 70% money market and fixed income funds and 30% equity funds, which are within the specified ranges of the current investment policy.

The Museum's spending policy allows for the use of up to 5% (changed to 4% effective January 1, 2021) of the prior three year-end average market values of the endowment funds.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2020 AND 2019

8. Agreement with the City of Kansas City, Missouri:

The Museum has an agreement with the City to manage the Museum as well as the surrounding 47-acre parkland, and to exhibit artifacts and otherwise operate the Museum, including providing maintenance and security. The agreement expires August 25, 2032, but will automatically renew for successive five-year periods unless terminated as provided for in the agreement. The agreement also provides that property and equipment, other than that acquired with the proceeds of bonds issued by the City or permanently affixed to the Museum, will become the property of the Museum.

The management and operating fee is \$625,000 annually, subject to appropriation from the City's general fund, net of certain costs paid for by the City, and is for the period May 1 to April 30 each year. The portion of the payment received by the Museum that pertains to the subsequent year is included in deferred revenue in the accompanying statements of financial position.

The Liberty Memorial Trust Fund (Fund), held by the City for the benefit of the Museum, was created in 2000. The amount received by the Museum from the Fund annually to help pay for maintenance, utilities and security is equal to 45% of the earnings from the Fund.

The Fund had an initial balance of \$15.7 million when created in 2000, and the balance was approximately \$9,600,000 at December 31, 2020. Any amounts received by the Museum in excess of actual expenses are to be returned to the City. There were no amounts required to be returned to the City as of December 31, 2020 or 2019.

The City also makes grants for specific purposes to the Museum. All amounts received from the City are included in governmental grants in the accompanying statements of activities and changes in net assets.

Amounts received from the City during 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Management fee	\$ 625,000	\$ 625,000
Maintenance and security	43,850	60,815
Other special projects	<u>107,402</u>	<u>20,380</u>
	<u>\$ 776,252</u>	<u>\$ 706,195</u>

In 2019 the Museum served as a conduit for the pass-through of funds for an erosion control capital project on the east side of the Museum and Memorial campus.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2020 AND 2019

9. Retirement Plan:

The Museum has a 401(k) plan covering all employees who meet minimum age and service requirements. Participants may contribute up to the maximum allowed by law (\$19,500 for 2020). If a participant is age 50 or older by the end of the year, s/he may also make “catch-up” contributions up to \$6,000.

The Museum matches 100% of employee deferrals up to 3% of compensation and 50% of deferrals that exceed 3% of compensation, but do not exceed 5% of compensation. Matching contributions were \$110,752 and \$163,906 in 2020 and 2019, respectively.

10. Operating leases:

The Museum has several operating leases for office equipment, the last expiring November 30, 2024. The Museum also has several short-term rental agreements for office equipment and software. Total lease and rental expenses incurred during 2020 and 2019 were \$89,237 and \$58,180, respectively.

Future minimum lease payments having remaining terms in excess of one year are as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
2021	\$ 20,091
2022	11,846
2023	2,016
2024	<u>1,848</u>
	<u>\$ 35,801</u>

11. Availability of financial assets (liquidity):

The Museum has the following financial assets without donor restrictions available within one year of December 31, 2020:

Cash	\$ 11,801,978
Grants and accounts receivable	158,238
Unconditional promises to give, due within one year	3,495,550
Investments	4,518,228
Donor restricted net assets	(17,943,920)
Accounts payable	(37,495)
Accrued expenses	<u>(238,682)</u>
	<u>\$ 1,753,897</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2020 AND 2019

12. Subsequent events:

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Museum closed to the public in March of 2020. The Museum reopened on a very limited basis in June 2020. As of the date of the independent auditors' report, the Museum has reopened all exhibits to the public. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may impact the financial position, results of operations, and cash flows in 2021.

The Museum received a second round PPP loan for \$585,801 in April 2021.

The Museum received a Shuttered Venue Operators Grant from the SBA's Office of Disaster Assistance of \$1,899,896 in July 2021.