



FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

INDEPENDENT AUDITOR'S REPORT

Board of Directors
National Museum of Transportation

We have audited the accompanying financial statements of National Museum of Transportation (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

Auditor's 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 National Museum of Transportation as of December 31, 2019 and 2018, 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.

September 16, 2020

SFW Partners, LLC
SFW Partners, LLC

NATIONAL MUSEUM OF TRANSPORTATION

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2019 and 2018

	ASSETS	
	2019	2018
Assets:		
Cash and cash equivalents	\$ 258,010	\$ 239,535
Investments	1,966,468	1,786,233
Unconditional promises-to-give	22,550	-
Inventories	61,732	66,571
Prepaid expenses	53	1,690
Property and equipment, net of accumulated depreciation and amortization	5,715,586	5,676,968
Total assets	\$ 8,024,399	\$ 7,770,997
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 121,365	\$ 68,962
Deferred revenue	136,350	114,684
Total liabilities	257,715	183,646
Net assets:		
Without donor restrictions (Note 7)	3,181,432	3,253,880
With donor restrictions (Note 8)	4,585,252	4,333,471
Total net assets	7,766,684	7,587,351
Total liabilities and net assets	\$ 8,024,399	\$ 7,770,997

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

NATIONAL MUSEUM OF TRANSPORTATION

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2019 and 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Program revenues:						
Gate fees	\$ 366,056	\$ -	\$ 366,056	\$ 300,415	\$ -	\$ 300,415
Gift shop and concessions	239,668	-	239,668	201,891	-	201,891
Other program revenues	199,190	-	199,190	193,236	-	193,236
Membership dues	189,366	-	189,366	182,311	-	182,311
Total program revenues	<u>994,280</u>	<u>-</u>	<u>994,280</u>	<u>877,853</u>	<u>-</u>	<u>877,853</u>
Support and other revenues:						
Contributions	156,953	166,354	323,307	77,291	180,072	257,363
County transition fee	500,000	-	500,000	550,000	-	550,000
County stipend	-	-	-	63,000	-	63,000
Net investment return	65,582	225,956	291,538	(35,676)	(102,432)	(138,108)
Miscellaneous	12,249	-	12,249	23,483	-	23,483
Total support and other revenues	<u>734,784</u>	<u>392,310</u>	<u>1,127,094</u>	<u>678,098</u>	<u>77,640</u>	<u>755,738</u>
Total revenues and support	<u>1,729,064</u>	<u>392,310</u>	<u>2,121,374</u>	<u>1,555,951</u>	<u>77,640</u>	<u>1,633,591</u>
Net assets released from restrictions	140,529	(140,529)	-	215,636	(215,636)	-
Functional expenses:						
Program services:						
Gate fees, gift shop, concessions, and other program services	1,091,598	-	1,091,598	1,101,858	-	1,101,858
Museum maintenance and restoration	257,896	-	257,896	199,467	-	199,467
Capital campaign	60,812	-	60,812	106,920	-	106,920
Education and membership	86,588	-	86,588	83,359	-	83,359
Total program services	<u>1,496,894</u>	<u>-</u>	<u>1,496,894</u>	<u>1,491,604</u>	<u>-</u>	<u>1,491,604</u>
Supporting services:						
General and administrative	293,417	-	293,417	260,360	-	260,360
Fundraising	151,730	-	151,730	48,266	-	48,266
Total supporting services	<u>445,147</u>	<u>-</u>	<u>445,147</u>	<u>308,626</u>	<u>-</u>	<u>308,626</u>
Total functional expenses	<u>1,942,041</u>	<u>-</u>	<u>1,942,041</u>	<u>1,800,230</u>	<u>-</u>	<u>1,800,230</u>
Changes in net assets	(72,448)	251,781	179,333	(28,643)	(137,996)	(166,639)
Net assets, beginning of the year	<u>3,253,880</u>	<u>4,333,471</u>	<u>7,587,351</u>	<u>3,282,523</u>	<u>4,471,467</u>	<u>7,753,990</u>
Net assets, end of the year	<u>\$ 3,181,432</u>	<u>\$ 4,585,252</u>	<u>\$ 7,766,684</u>	<u>\$ 3,253,880</u>	<u>\$ 4,333,471</u>	<u>\$ 7,587,351</u>

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

NATIONAL MUSEUM OF TRANSPORTATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	Program Services			Supporting Services			Total
	Gate Fees, Gift Shop, Concessions, and Other Program Services	Museum Maintenance and Restoration	Capital Campaign	Education and Membership	General and Administrative	Fundraising	
Salaries and payroll taxes	\$ 620,280	\$ -	\$ 32,295	\$ 33,905	\$ 105,313	\$ 119,420	\$ 911,213
Exhibit maintenance	-	196,335	10,000	-	-	-	206,335
Depreciation and amortization	87,887	-	-	-	49,436	-	137,323
Cost of sales:							
Gift shop	84,316	-	-	-	-	-	84,316
Concessions	37,803	-	-	-	-	-	37,803
Utilities	116,022	-	-	-	-	-	116,022
Insurance	24,865	5,075	-	24,865	24,863	24,865	104,533
Office expenses	19,952	19,952	3,630	10,689	13,471	3,563	71,257
Promotion and public relations	14,569	14,569	3,864	-	20,291	2,602	55,895
Ride and other program expenses	47,353	-	-	-	-	-	47,353
Miscellaneous	11,870	12,241	-	-	12,984	-	37,095
Professional fees	-	-	10,627	-	21,319	-	31,946
Workers compensation insurance	7,422	7,166	-	1,536	8,189	1,280	25,593
Bank charges	-	-	-	-	20,458	-	20,458
Printing	3,250	1,422	396	8,124	7,118	-	20,310
Telephone	4,543	1,136	-	4,543	6,003	-	16,225
Occupancy	10,781	-	-	-	-	-	10,781
Postage	-	-	-	2,926	1,507	-	4,433
Dues	-	-	-	-	1,780	-	1,780
Personnel aide	685	-	-	-	685	-	1,370
	<u>\$ 1,091,598</u>	<u>\$ 257,896</u>	<u>\$ 60,812</u>	<u>\$ 86,588</u>	<u>\$ 293,417</u>	<u>\$ 151,730</u>	<u>\$1,942,041</u>

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

NATIONAL MUSEUM OF TRANSPORTATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	Program Services			Supporting Services			Total
	Gate Fees, Gift Shop, Concessions, and Other Program Services	Museum Maintenance and Restoration	Capital Campaign	Education and Membership	General and Administrative	Fundraising	
Salaries and payroll taxes	\$ 628,192	\$ -	\$ 23,177	\$ 33,990	\$ 97,457	\$ 10,829	\$ 793,645
Exhibit maintenance	-	153,388	-	-	-	-	153,388
Depreciation and amortization	82,701	-	-	-	46,520	-	129,221
Cost of sales:							
Gift shop	91,230	-	-	-	-	-	91,230
Concessions	37,459	-	-	-	-	-	37,459
Utilities	114,371	-	-	-	-	-	114,371
Insurance	32,244	5,075	-	32,244	32,244	32,244	134,051
Office expenses	11,546	11,546	-	6,185	9,897	2,062	41,236
Promotion and public relations	9,202	9,202	43,245	-	12,817	1,643	76,109
Ride and other program expenses	49,052	-	-	-	-	-	49,052
Miscellaneous	9,932	10,242	-	-	10,865	-	31,039
Professional fees	-	-	40,498	-	7,650	-	48,148
Workers compensation insurance	8,632	8,334	-	1,786	9,525	1,488	29,765
Bank charges	-	-	-	-	18,495	-	18,495
Printing	1,312	574	-	3,281	3,036	-	8,203
Telephone	4,425	1,106	-	4,425	5,847	-	15,803
Occupancy	21,560	-	-	-	-	-	21,560
Postage	-	-	-	1,448	746	-	2,194
Dues	-	-	-	-	1,120	-	1,120
Personnel aide	-	-	-	-	4,141	-	4,141
	<u>\$ 1,101,858</u>	<u>\$ 199,467</u>	<u>\$ 106,920</u>	<u>\$ 83,359</u>	<u>\$ 260,360</u>	<u>\$ 48,266</u>	<u>\$1,800,230</u>

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

NATIONAL MUSEUM OF TRANSPORTATION

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Changes in net assets	\$ 179,333	\$ (166,639)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	137,323	129,221
Gain on sales of securities	(14,151)	(40,162)
Net (appreciation) depreciation of investments	(241,296)	217,112
Non-cash donations	(4,400)	(41,351)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Unconditional promises-to-give	(22,550)	-
Inventories	4,839	10,652
Prepaid expenses	1,637	16,997
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	52,403	(40,979)
Deferred revenue	21,666	(252)
Net cash provided by operating activities	114,804	84,599
Cash flows from investing activities:		
Proceeds from sales of investments	302,284	771,016
Purchases of investments	(227,072)	(667,361)
Purchases of property and equipment	(171,541)	(185,896)
Net cash used in investing activities	(96,329)	(82,241)
Net increase in cash and cash equivalents	18,475	2,358
Cash and cash equivalents, beginning of the year	239,535	237,177
Cash and cash equivalents, end of the year	\$ 258,010	\$ 239,535

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

NATIONAL MUSEUM OF TRANSPORTATION

NOTES TO THE FINANCIAL STATEMENTS

(1) Operations

National Museum of Transportation (the “Museum”) was incorporated in 1946 as a not-for-profit corporation organized under the laws of the State of Missouri as the Saint Louis Railway Historical Society. Since its incorporation, the Museum has had a number of name and by-law changes. From September, 1979 to September, 2017, the Museum was a St. Louis County Park and the Transport Museum Association was a 501(c)(3) friends organization assisting the Museum. On January 20, 2017, the Museum entered into a contract with St. Louis County (the “County”) to transfer all of the real and personal property relating to the operation of the county park to the Museum until such time that the Museum ceases existence. The contract provides for the Museum to receive a stipend from the County for five years to assist in the operations of the Museum. The Museum assumed all liability related to operating the county park known as the National Museum of Transportation located in St. Louis County. The Museum’s programs are supported primarily by program revenues, membership dues, contributions, and the County stipend. The Museum’s mission is to be a leader in protecting and interpreting North American transportation heritage. As stewards of this heritage, the Museum will provide engaging education, programs, interactive and interpretive exhibits, and conserve transportation history for the next generation. The Museum fulfills its mission by focusing our efforts in four primary service areas:

Gate Fees, Gift Shop, Concessions, and Other Program Services

The gate fees, gift shop, concessions, and other program services provides the Museum with concessions, gift shop items, miniature train rides, trolley rides, and other program support.

Museum Maintenance and Restoration

Museum maintenance and restoration gives the Museum the ability to restore and maintain their rail and transit road vehicle and other collections. The Museum also maintains archival materials related to transportation.

Capital Campaign

The Museums' capital campaign will build upon the museum’s principles of education, preservation, restoration and exhibition to ensure a bright future for a historic past by bringing the museum into a new era. The funds raised will be used to expand the visitor center, provide a tethered balloon ride, include a new preservation facility, build an artifact pavilion, and complete installation for a trolley platform.

Education and Membership

The Museum offers education programs to enrich the lives of children including creation station and S.T.E.A.M. learning. The Museum strives to provide an enjoyable and content-rich educational experience for students, extend outreach into area schools, provide special events geared towards families, and generate funding through outreach and increased community attendance.

NATIONAL MUSEUM OF TRANSPORTATION

NOTES TO THE FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies

Basis of Accounting

The Museum's financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

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

Investments

Investments are adjusted to market value at year end. Gains or losses on the sale of investments are recognized on a specific identification basis. Unrealized holding gains or losses, realized gains or losses, and interest and dividend income earned on the investments are included in investment income, net of external and direct internal investment expenses on the statements of activities and changes in net assets for the years ended December 31, 2019 and 2018. Investment fees expensed for the years ended December 31, 2019 and 2018 was \$18,789 and \$20,221, respectively.

Unconditional Promises-to-Give

Unconditional promises to give are recognized as revenue when the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Unconditional promises to give expected to be collected in less than one year are reported at net realizable value. Contributions to be collected in future years are recorded at fair value when the promise is made based on a discounted cash flow model. Management does not believe an allowance for uncollectible amounts is necessary based on historical experience with the donors, and accordingly, has made no allowance for doubtful accounts. The Museum's outstanding unconditional promises-to-give at December 31, 2019 and 2018 were \$22,550 and \$0, respectively.

Inventory

Inventory, which is primarily merchandise held for sale in the gift shop, is stated at the lower of cost or market with cost determined using the first-in, first-out method.

Property and Equipment

Property and equipment are stated at cost if purchased or fair value if contributed, less an allowance for depreciation and amortization. Material expenditures for property acquisitions and those expenditures which substantially increase useful lives are capitalized. Expenditures for maintenance, repairs, and minor replacements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation or amortization are removed from the accounts and resulting gains or losses are included in income.

NATIONAL MUSEUM OF TRANSPORTATION

NOTES TO THE FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies (Continued)

Depreciation and Amortization

The Museum provides for depreciation and amortization using the straight-line method based upon the estimated useful lives of the assets as follows: buildings and leasehold improvements, 5 to 40 years; furniture and fixtures, 5 to 25 years; vehicles, 5 to 7 years; exhaustible exhibits, 5 years; gift shop equipment, 7 to 10 years.

Collections Held for Public Exhibition

The primary focus of the collections held for public exhibition are to preserve, restore, and exhibit artifacts related to transportation. Collections acquired either through purchase or donations are not capitalized. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted assets and as decreases in net assets with donor restrictions if purchased with donor-restricted funds. During 2019, the Museum purchased a trolley street car for \$10,375 which is included in program expense in the statements of activities and changes in net assets. Contributions of collection items are not recognized in the statement of activities. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. Proceeds from deaccessions or insurance recoveries are reflected on the statements of activities based on the absence or existence and nature of donor-imposed restrictions.

Net Assets

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restriction, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue Recognition

Contributions are recognized when the donor makes an unconditional promise-to-give to the Museum. Gifts of cash and other assets received are recorded as with or without donor restricted support depending on the existence or nature of any donor restrictions. All contributions are considered to be available for the general programs of the Museum unless specifically restricted by the donor.

Membership dues are recorded as program revenues on a pro rata basis as they are earned, generally over one year. Deferred revenue represents the unearned portion of the annual membership fees collected.

NATIONAL MUSEUM OF TRANSPORTATION

NOTES TO THE FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies (Continued)

Gate fees, concessions, gift shop sales, and other program revenue is recognized as cash is received.

Endowment Funds

The Museum's donor restricted endowments consist of a fund established for the general operation of the Museum and a fund established for the archival preservation of historical papers and photographs. As required by generally accepted accounting principles, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

Under the Not-for-Profit Museums topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), a guideline is provided for identifying net asset classifications under generally accepted accounting principles. Under the terms of the Governing Documents, the Board of Directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board of Directors, in its sole discretion, shall determine. In accordance with Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"), the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the funds, the purpose of the Museum and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Museum, and the investment policies of the Museum.

As a result of the ability to distribute corpus, the Board of Directors has determined that all contributions received subject to the Governing Document, and subject to UPMIFA, are classified as net assets with donor restrictions until appropriated, at which time the appropriation is reclassified to net assets without donor restrictions. Contributions that are subject to the other gift instruments may be recorded as with or without donor restrictions, depending on the specific terms of the agreement.

Generally, if the corpus of the contribution will at some future time become available for spending or if the corpus never becomes available for future spending, it is recorded as net assets with donor restriction. In addition, contributions that are promised to be given in a future period are presented as net assets with donor restrictions until the payments are due.

Endowment Investment and Spending Policies

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Museum's spending and investment policies work together to achieve this objective. The investment policy is established by the Board of Directors and the investment agency and is re-evaluated on an annual basis. Actual returns in any given year may vary due to market conditions.

To satisfy its long-term rate-of-return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

NATIONAL MUSEUM OF TRANSPORTATION

NOTES TO THE FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies (Continued)

The spending policy calculates the amount of money annually distributed from the Museum's endowed fund for maintenance and restoration of the facilities. The current spending policy is to distribute the income from investments as needed for operations, which is determined by the Board of Directors. This is consistent with the Museum's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Program Services

Program services include those expenses for programs and other items that enable the Museum to educate its members and the general public about transportation and aid in the acquisition, preservation, and restoration of facilities and artifacts related to the Museum's purpose.

Supporting Services

Supporting services include the functions necessary to administer the employment program, provide coordination and articulation of the Museum's program strategy, secure proper administrative function of the Board of Directors, and manage the financial and budgetary responsibilities of the Museum, including fundraising.

Functional Allocation of Expenses

The costs associated with providing the Museum's activities have been summarized on the functional basis. Certain expenses represent costs associated with multiple activities and require allocation among the program and supporting services benefited. Such allocations are based on relevant factors that represent management's best estimate of time and effort including depreciation, miscellaneous, office expenses, personnel aides, postage, promotion and public relations, salaries and payroll taxes, telephone, utilities, and workers compensation insurance. Expenses that are allocated based on usage include exhibit maintenance. Insurance expense is based on actual expense and an allocation based on management's estimate of usage.

Income Taxes

The Internal Revenue Service has advised the Museum that it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Museum's management does not believe that its exempt status has been significantly affected by any changes in its activities since the date of the most recent determination letter received. Accordingly, no provision for income taxes has been included in these financial statements.

The Museum accounts for any uncertain tax positions in accordance with the Income Taxes topic of the FASB ASC. The topic prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. In evaluating the Museum's exempt status, interpretations and tax planning strategies are considered. The Museum believes it is not exposed to any current or future tax liability based on its current operations.

NATIONAL MUSEUM OF TRANSPORTATION

NOTES TO THE FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk

The Museum, on occasion, maintains cash deposits with a bank that include funds greater than FDIC limits. The Museum has not experienced any losses in such accounts. The Board of Directors believes the Museum is not exposed to any significant credit risk related to cash. The amounts on deposit at December 31, 2019 and 2018 did not exceed the insured limits.

The Museum maintains cash equivalents and investments with a trust company that include funds greater than the insured limit by the Securities Investor Protection Corporation insured limit. The Museum has not experienced any losses beyond normal market fluctuations (see Note 12). The Board of Directors believes the Museum is not exposed to any significant credit risk beyond normal market fluctuations related to cash equivalents and investments. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. The trust company accounts at December 31, 2019 and 2018 exceeded the insured limit by \$1,066,838 and \$884,353, respectively.

Statement of Cash Flows

For purposes of the statement of cash flows, the Museum considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Subsequent Events

The Museum evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through the date of the independent auditor's report (see Note 12), which is the date the financial statements were available to be issued.

NATIONAL MUSEUM OF TRANSPORTATION
NOTES TO THE FINANCIAL STATEMENTS

(3) Investments

Cost and market value of investments consist of the following at:

	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Market Value
<i>December 31, 2019</i>				
Fixed income mutual funds and bonds	\$ 736,269	\$ 1,496	\$ (1,532)	\$ 736,233
Equity funds	1,080,581	113,929	-	1,194,510
Real assets	30,444	5,281	-	35,725
	<u>\$ 1,847,294</u>	<u>\$ 120,706</u>	<u>\$ (1,532)</u>	<u>\$ 1,966,468</u>
<i>December 31, 2018</i>				
Fixed income mutual funds and bonds	\$ 739,149	\$ -	\$ (26,628)	\$ 712,521
Equity funds	1,127,225	580	(84,406)	1,043,399
Real assets	30,444	-	(131)	30,313
	<u>\$ 1,896,818</u>	<u>\$ 580</u>	<u>\$ (111,165)</u>	<u>\$ 1,786,233</u>

Net appreciation (depreciation) in fair value of investments was \$241,296 and \$(217,112) for the years ended December 31, 2019 and 2018, respectively.

Based on management's evaluation and the Museum's ability and intent to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Museum considers these investments temporarily impaired at December 31, 2019 and 2018. The investments currently in an unrealized holding loss position have a market value of \$298,330 and \$1,773,756 at December 31, 2019 and 2018, respectively and have significantly recovered in value during the last fiscal year.

(4) Fair Value Measurements

Under the Fair Value Measurements and Disclosures topic of the FASB ASC, a guideline is provided for measuring fair value under generally accepted accounting principles. The topic 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 or liabilities and have the highest priority; Level 2 inputs include quoted prices in active markets for similar assets or liabilities, quoted prices in inactive markets for identical or similar assets or liabilities, or inputs that are observable or can be corroborated by observable market data or other means for substantially the full term of the asset or liability; and Level 3 inputs have the lowest priority and are based on prices or valuation techniques that are unobservable and not corroborated by market data. The Museum uses appropriate valuation techniques based on the available inputs to measure the fair value of its assets and liabilities. When available, the Museum measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. The Museum uses Level 2 inputs when an active market comparable is not available and Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

NATIONAL MUSEUM OF TRANSPORTATION

NOTES TO THE FINANCIAL STATEMENTS

(4) Fair Value Measurements (Continued)

Level 1 Fair Value Measurements

The fair value of the investments is based on quoted market prices. The Museum's investments reported at fair value in the accompanying statements of financial position consist of the following:

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<i>December 31, 2019</i>				
Fixed income mutual funds and bonds	\$ 736,233	\$ 736,233	\$ -	\$ -
Equity funds	1,194,510	1,194,510	-	-
Real assets	35,725	35,725	-	-
	<u>\$ 1,966,468</u>	<u>\$ 1,966,468</u>	<u>\$ -</u>	<u>\$ -</u>
<i>December 31, 2018</i>				
Fixed income mutual funds and bonds	\$ 712,521	\$ 712,521	\$ -	\$ -
Equity funds	1,043,399	1,043,399	-	-
Real assets	30,313	30,313	-	-
	<u>\$ 1,786,233</u>	<u>\$ 1,786,233</u>	<u>\$ -</u>	<u>\$ -</u>

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(5) Property and Equipment

Property and equipment consists of the following at December 31:

	2019	2018
Land	\$ 2,619,600	\$ 2,619,600
Buildings and leasehold improvements	3,658,379	3,429,075
Furniture and fixtures	304,795	273,447
Vehicles	92,558	88,158
Exhaustible exhibits	49,872	49,872
Gift shop equipment	11,067	11,067
	6,736,271	6,471,219
Accumulated depreciation and amortization	(1,078,853)	(941,530)
Construction in progress	58,168	147,279
	\$ 5,715,586	\$ 5,676,968

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 was \$137,323 and \$129,221, respectively.

(6) Endowments

The endowments consists of 2 individual funds established by donors to provide annual funding for specific activities and general operations. The Museum had the following endowment net asset composition at December 31:

	2019	2018
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 442,263	\$ 442,263
Accumulated investment gains	684,338	522,171
	\$ 1,126,601	\$ 964,434

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires to retain as a fund of perpetual duration. Deficiencies of this nature exist in one donor-restricted endowment fund, which has an original gift value of \$384,238, a current fair value of \$381,119, and a deficiency of \$3,119 as of December 31, 2018. This deficiency resulted from unfavorable market fluctuations that occurred during the year.

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(6) Endowments (Continued)

Changes in endowment net assets are as follows for the years ended December 31:

	2019	2018
Donor-restricted endowment funds, beginning of year	\$ 964,434	\$ 1,038,587
Investment gain (loss), net	162,167	(74,153)
Donor-restricted endowment funds, end of year	\$ 1,126,601	\$ 964,434

(7) Net Assets Without Donor Restriction

At December 31, the net assets without donor restrictions is as follows:

	2019	2018
Undesignated funds	\$ 2,744,604	\$ 2,800,772
Board designated funds	436,828	453,108
	\$ 3,181,432	\$ 3,253,880

(8) Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	2019	2018
Subject to expenditure for specified purpose:		
Exhibit acquisition, maintenance, and restoration	\$ 589,051	\$ 499,436
Endowment funds:		
Subject to appropriation and expenditure when a specified event occurs:		
Available for general use	44,150	29,731
Available for archival preservation & historical papers	60,592	-
Subject to NFP endowment spending policy and appropriation:		
General operations	637,621	553,585
Archival preservation & historical papers	384,238	384,238
Underwater endowments	-	(3,119)
Perpetual - not subject to spending policy or appropriation:		
Land	2,619,600	2,619,600
Gift shop	250,000	250,000
	\$ 4,585,252	\$ 4,333,471

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(8) Net Assets With Donor Restrictions (Continued)

Net assets released from donor restrictions consist of the following at December 31:

	2019	2018
Purpose restrictions accomplished		
Exhibit acquisition, maintenance, and restoration	\$ 36,022	\$ 83,094
Capital campaign	104,507	132,542
	\$ 140,529	\$ 215,636

The Museum conducts a capital campaign (*Experience Our Legacy in Motion*) for the expansion of the existing facilities and the preservation and restoration of artifacts. In 2018, the Museum began another capital campaign (*The Power to Move You*) for the expansion of existing facilities, building of additional facilities, and construction of a trolley platform.

(9) Net Liquidity and Availability

Financial assets available for general expenditures without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise of the following at December 31:

	2019	2018
Cash and cash equivalents	\$ 258,010	\$ 239,535
Operating investments	1,966,468	1,786,233
Other restricted assets	(589,051)	(499,437)
Endowment restricted assets	(1,021,859)	(934,703)
	\$ 613,568	\$ 591,629

The Museum's endowment funds consist of donor-restricted endowments. The donor-restricted endowment funds consist of investments whose basis is restricted. However, earnings from the endowment investment are available for use in general operations.

(10) Non-Cash Donations

During the year ended December 31, 2019, the Museum received a vehicle for general use that had an estimated value of \$4,400. This donation is recorded in property and equipment at December 31, 2019.

During the year ended December 31, 2018, the Museum received equipment that had an estimated value of \$15,000, new computer equipment with an estimated value of \$10,000, donation canisters with an estimated value of \$2,500, and a copier with an estimated value of \$1,200. These donations are recorded in property and equipment at December 31, 2018. In addition, the Museum received stock donations totaling \$12,937 which are recorded in contribution revenue at fair market value on date of donation.

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(11) Reclassifications

Certain accounts relating to the prior year have been restated to conform to current year's presentation. The reclassifications have no effect on the previously reported income.

(12) Risk and Uncertainty Due to Subsequent Event

Subsequent to year-end, the World Health Museum declared the COVID-19 virus a worldwide pandemic as the spread of the virus has reached most countries, including the United States. Federal, state, and local governments have taken actions to limit the transmission of this virus, which includes restrictions on travel, dining, and many other non-essential business and consumer activities. The impact of this virus and the government mandated restrictions could have a significant impact on the Museum's future operations. The United States federal government, as well as many state and local governments, are passing stimulus bills to combat the economic impact of the virus. The potential effectiveness of these stimulus bills are currently not known.

On April 21, 2020, the Museum was approved for and received a \$172,651 loan under the Paycheck Protection Program (PPP), a program created by the United States federal government in response to the economic impact of COVID-19. The PPP is administered by the Small Business Administration in conjunction with the banking industry. Up to 100% of the loan may be forgiven if the Museum meets certain criteria as defined in Section 1106 of the CARES Act. Any loan proceeds not forgiven are payable over a period up to five years plus interest at 1% per annum, with the first ten months of payments deferred. There is no stated collateral or guarantees per the loan agreement.

As of the date of the independent auditor's report, it is unknown what impact the COVID-19 virus will have on the Museum or the United States and world economy as a whole. The accompanying financial statements do not include any adjustments for these events occurring subsequent to year-end.

(13) Other Subsequent Event

In March 2020, the Museum receive a \$500,000 unconditional promise to give from a corporate donor. Based on discussions with the donor, management expects to receive five \$100,000 payments of this gift each year during the fourth quarter beginning in 2020.