



FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

## 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, 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.

### **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, 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.

September 10, 2021

*SFW Partners, LLC*  
SFW Partners, LLC

**NATIONAL MUSEUM OF TRANSPORTATION**

**STATEMENTS OF FINANCIAL POSITION**

**As of December 31, 2020 and 2019**

	ASSETS	
	2020	2019
Assets:		
Cash and cash equivalents	\$ 246,072	\$ 258,010
Investments	1,960,445	1,966,468
Unconditional promises-to-give	10,500	22,550
Inventories	51,931	61,732
Other receivables	164,992	-
Prepaid expenses	7,480	53
Property and equipment, net of accumulated depreciation and amortization	5,595,851	5,715,586
Total assets	\$ 8,037,271	\$ 8,024,399
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 59,758	\$ 121,365
Deferred revenue	107,987	136,350
Total liabilities	167,745	257,715
Net assets:		
Without donor restrictions (Note 7)	3,171,049	3,181,432
With donor restrictions (Note 8)	4,698,477	4,585,252
Total net assets	7,869,526	7,766,684
Total liabilities and net assets	\$ 8,037,271	\$ 8,024,399

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, 2020 and 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Program revenues:						
Gate fees	\$ 177,059	\$ -	\$ 177,059	\$ 366,056	\$ -	\$ 366,056
Membership dues	143,581	-	143,581	189,366	-	189,366
Gift shop and concessions	125,909	-	125,909	239,668	-	239,668
Other program revenues	109,281	-	109,281	199,190	-	199,190
Total program revenues	<u>555,830</u>	<u>-</u>	<u>555,830</u>	<u>994,280</u>	<u>-</u>	<u>994,280</u>
Support and other revenues:						
Contributions	181,135	150,017	331,152	156,953	166,354	323,307
County stipend	450,000	-	450,000	500,000	-	500,000
Net investment return	20,021	170,538	190,559	65,582	225,956	291,538
Paycheck protection program loan	172,651	-	172,651	-	-	-
Miscellaneous	18,741	-	18,741	12,249	-	12,249
Loss on sale of property and equipment	(1,217)	-	(1,217)	-	-	-
Total support and other revenues	<u>841,331</u>	<u>320,555</u>	<u>1,161,886</u>	<u>734,784</u>	<u>392,310</u>	<u>1,127,094</u>
Total revenues and support	<u>1,397,161</u>	<u>320,555</u>	<u>1,717,716</u>	<u>1,729,064</u>	<u>392,310</u>	<u>2,121,374</u>
Net assets released from restrictions	207,330	(207,330)	-	140,529	(140,529)	-
Functional expenses:						
Program services:						
Gate fees, gift shop, concessions, and other program services	700,303	-	700,303	1,091,598	-	1,091,598
Museum maintenance and restoration	333,457	-	333,457	257,896	-	257,896
Capital campaign	35,631	-	35,631	60,812	-	60,812
Education and membership	89,411	-	89,411	86,588	-	86,588
Total program services	<u>1,158,802</u>	<u>-</u>	<u>1,158,802</u>	<u>1,496,894</u>	<u>-</u>	<u>1,496,894</u>
Supporting services:						
General and administrative	257,675	-	257,675	293,417	-	293,417
Fundraising	198,397	-	198,397	151,730	-	151,730
Total supporting services	<u>456,072</u>	<u>-</u>	<u>456,072</u>	<u>445,147</u>	<u>-</u>	<u>445,147</u>
Total functional expenses	<u>1,614,874</u>	<u>-</u>	<u>1,614,874</u>	<u>1,942,041</u>	<u>-</u>	<u>1,942,041</u>
Changes in net assets	(10,383)	113,225	102,842	(72,448)	251,781	179,333
Net assets, beginning 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>
Net assets, end of the year	<u>\$ 3,171,049</u>	<u>\$ 4,698,477</u>	<u>\$ 7,869,526</u>	<u>\$ 3,181,432</u>	<u>\$ 4,585,252</u>	<u>\$ 7,766,684</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, 2020**

	Program Services				Supporting Services		Total
	Program Services	Museum Maintenance and Restoration	Capital Campaign	Education and Membership	General and Administrative	Fundraising	
Gate Fees, Gift Shop, Concessions, and Other							
Salaries and payroll taxes	\$ 329,332	\$ 97,764	\$ 32,295	\$ 35,101	\$ 70,733	\$ 157,608	\$ 722,833
Exhibit maintenance	-	178,372	-	-	-	-	178,372
Insurance	34,929	5,075	-	34,929	36,547	34,929	146,409
Depreciation and amortization	88,399	-	-	-	49,724	-	138,123
Utilities	90,929	-	-	-	-	-	90,929
Miscellaneous	16,961	17,491	-	-	18,546	-	52,998
Office expenses	13,172	13,172	3,336	7,056	11,290	2,352	50,378
Promotion and public relations	14,000	14,000	-	-	19,500	2,500	50,000
Cost of sales:							
Gift shop	35,365	-	-	-	-	-	35,365
Concessions	10,734	-	-	-	-	-	10,734
Ride and other program expenses	43,421	-	-	-	-	-	43,421
Professional fees	-	-	-	-	21,745	-	21,745
Printing	3,386	1,481	-	8,464	7,830	-	21,161
Workers compensation insurance	5,845	5,643	-	1,209	6,450	1,008	20,155
Occupancy	10,950	-	-	-	-	-	10,950
Bank charges	-	-	-	-	10,480	-	10,480
Telephone	1,836	459	-	1,836	2,426	-	6,557
Personnel aide	1,044	-	-	-	1,044	-	2,088
Postage	-	-	-	816	420	-	1,236
Dues	-	-	-	-	940	-	940
	<u>\$ 700,303</u>	<u>\$ 333,457</u>	<u>\$ 35,631</u>	<u>\$ 89,411</u>	<u>\$ 257,675</u>	<u>\$ 198,397</u>	<u>\$1,614,874</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, 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
Insurance	24,865	5,075	-	24,865	24,863	24,865	104,533
Depreciation and amortization	87,887	-	-	-	49,436	-	137,323
Utilities	116,022	-	-	-	-	-	116,022
Miscellaneous	11,870	12,241	-	-	12,984	-	37,095
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
Cost of sales:							
Gift shop	84,316	-	-	-	-	-	84,316
Concessions	37,803	-	-	-	-	-	37,803
Ride and other program expenses	47,353	-	-	-	-	-	47,353
Professional fees	-	-	10,627	-	21,319	-	31,946
Printing	3,250	1,422	396	8,124	7,118	-	20,310
Workers compensation insurance	7,422	7,166	-	1,536	8,189	1,280	25,593
Occupancy	10,781	-	-	-	-	-	10,781
Bank charges	-	-	-	-	20,458	-	20,458
Telephone	4,543	1,136	-	4,543	6,003	-	16,225
Personnel aide	685	-	-	-	685	-	1,370
Postage	-	-	-	2,926	1,507	-	4,433
Dues	-	-	0	-	1,780	-	1,780
	<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**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2020 and 2019**

	2020	2019
Cash flows from operating activities:		
Changes in net assets	\$ 102,842	\$ 179,333
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	138,123	137,323
Gain on sales of investments	(31,506)	(14,151)
Loss on sale of property and equipment	1,217	-
Net appreciation of investments	(136,058)	(241,296)
Non-cash donations	-	(4,400)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Unconditional promises-to-give	12,050	(22,550)
Inventories	9,801	4,839
Other receivables	(164,992)	-
Prepaid expenses	(7,427)	1,637
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(61,607)	52,403
Deferred revenue	(28,363)	21,666
Net cash (used in) provided by operating activities	(165,920)	114,804
Cash flows from investing activities:		
Proceeds from sales of investments	464,357	302,284
Purchases of investments	(290,770)	(227,072)
Purchases of property and equipment	(19,605)	(171,541)
Net cash provided by (used in) investing activities	153,982	(96,329)
Net (decrease) increase in cash and cash equivalents	(11,938)	18,475
Cash and cash equivalents, beginning of the year	258,010	239,535
Cash and cash equivalents, end of the year	\$ 246,072	\$ 258,010

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 its 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 net investment return, net of external and direct internal investment expenses on the statements of activities and changes in net assets for the years ended December 31, 2020 and 2019. Investment fees expensed for the years ended December 31, 2020 and 2019 was \$17,736 and \$18,789, 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, 2020 and 2019 were \$10,500 and \$22,550, 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.

#### *Other Receivables*

In response to the COVID-19 pandemic, the Internal Revenue Service enacted the Taxpayer Certainty and Disaster Tax Relief Act under Section 2301 of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which provides for payroll tax credits for certain payroll wages beginning on March 12, 2020 and ending December 31, 2021. Included in other receivables at December 31, 2020 was \$163,430 in refundable employee retention credit payroll taxes related to wages paid during the year ending December 31, 2020 as well as a reduction in salaries and payroll taxes expense.

## NATIONAL MUSEUM OF TRANSPORTATION

### NOTES TO THE FINANCIAL STATEMENTS

#### (2) Summary of Significant Accounting Policies (Continued)

##### *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.

##### *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. Proceeds from the sale of collection items can be used to acquire new items or direct care of existing collections. Direct care consists of expenditures that provide a direct benefit to the collection by enhancing its life, usefulness, or quality and exclude expenditures for routine maintenance of the collection.

##### *Net Assets*

*Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for board-designated purchases of assets and exhibits, restoration and repairs and maintenance of existing assets and exhibits.

## NATIONAL MUSEUM OF TRANSPORTATION

### NOTES TO THE FINANCIAL STATEMENTS

#### (2) Summary of Significant Accounting Policies (Continued)

*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 and Revenue Recognition*

Effective January 1, 2020, the Museum adopted Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Accounting Standards Codification ("ASC") Topic 606) using the modified retrospective method in which the new guidance was applied retrospectively to contracts that were not completed as of January 1, 2020. Topic 606 requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Museum expects to be entitled in exchange for those goods or services. Results for the year ended December 31, 2020 have been presented under Topic 606, while prior period amounts have not been adjusted and continue to be reported in accordance with previous guidance.

As part of the adoption of the ASU, the Museum elected the following transitional practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

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.

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

No line items in the statements of financial position or statements of activities and changes in net assets were materially affected by the adoption of Topic 606.

## NATIONAL MUSEUM OF TRANSPORTATION

### NOTES TO THE FINANCIAL STATEMENTS

#### (2) Summary of Significant Accounting Policies (Continued)

##### *Paycheck Protection Program Loan*

The Museum has elected to account for the Paycheck Protection Program ("PPP") Loan, which is a forgivable loan program established under the CARES Act, in accordance with Accounting Standards Codification ("ASC") Topic 958-605, Not-For-Profit Entities-Revenue Recognition. The Museum initially recorded the cash inflow from the PPP loan as a refundable advance liability. As conditions of forgiveness are substantially met or explicitly waived, the Museum reduces the refundable advance liability and recognizes contribution income (see Note 10).

##### *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") 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 State Prudent Management of Institutional Funds Act ("SPMIFA"), 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 SPMIFA, 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.

# NATIONAL MUSEUM OF TRANSPORTATION

## NOTES TO THE FINANCIAL STATEMENTS

### (2) Summary of Significant Accounting Policies (Continued)

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.

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, printing 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, 2020 and 2019 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 SIPC insured limit. SIPC protects against the loss of investments held at a SIPC-member trust company, but does not protect against the decline in value of the investments. The Museum has not experienced any losses beyond normal market fluctuations. 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. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position. The trust company accounts at December 31, 2020 and 2019 exceeded the insured limit by \$1,022,861 and \$1,066,838, 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, 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, 2020</i>				
Fixed income mutual funds and bonds	\$ 679,238	\$ 22,878	\$ (2,159)	\$ 699,957
Equity funds	992,194	237,612	(5,534)	1,224,272
Real assets	35,700	516	-	36,216
	<u>\$ 1,707,132</u>	<u>\$ 261,006</u>	<u>\$ (7,693)</u>	<u>\$ 1,960,445</u>
<i>December 31, 2019</i>				
Fixed income mutual funds and bonds	\$ 736,269	\$ 5,094	\$ (5,130)	\$ 736,233
Equity funds	1,080,581	129,537	(15,608)	1,194,510
Real assets	30,444	5,281	-	35,725
	<u>\$ 1,847,294</u>	<u>\$ 139,912</u>	<u>\$ (20,738)</u>	<u>\$ 1,966,468</u>

Net appreciation in fair value of investments was \$136,058 and \$241,296 for the years ended December 31, 2020 and 2019, 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 considered these investments temporarily impaired at December 31, 2020 and 2019. The investments currently in an unrealized holding loss position have a market value of \$177,019 and \$554,134 at December 31, 2020 and 2019, respectively and have been in an unrealized holding loss position for less than 12 months.

#### (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, 2020</i>				
Fixed income mutual funds and bonds	\$ 699,957	\$ 699,957	\$ -	\$ -
Equity funds	1,224,272	1,224,272	-	-
Real assets	36,216	36,216	-	-
	<u>\$ 1,960,445</u>	<u>\$ 1,960,445</u>	<u>\$ -</u>	<u>\$ -</u>
<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>

**(5) Property and Equipment**

Property and equipment consists of the following at December 31:

	2020	2019
Buildings and leasehold improvements	\$ 3,660,935	\$ 3,658,379
Furniture and fixtures	303,503	304,795
Vehicles	105,863	92,558
Exhaustible exhibits	49,872	49,872
Gift shop equipment	11,067	11,067
	<u>4,131,240</u>	<u>4,116,671</u>
Accumulated depreciation and amortization	(1,213,157)	(1,078,853)
	<u>2,918,083</u>	<u>3,037,818</u>
Land	2,619,600	2,619,600
Construction in progress	58,168	58,168
	<u>\$ 5,595,851</u>	<u>\$ 5,715,586</u>



**NATIONAL MUSEUM OF TRANSPORTATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**(5) Property and Equipment (Continued)**

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 was \$138,123 and \$137,323, 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:

	2020	2019
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	763,849	684,338
	\$ 1,206,112	\$ 1,126,601

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

	2020	2019
Donor-restricted endowment funds, beginning of year	\$ 1,126,601	\$ 964,434
Investment gain, net	123,132	162,167
Investment gains released	(43,621)	-
Donor-restricted endowment funds, end of year	\$ 1,206,112	\$ 1,126,601

**(7) Net Assets Without Donor Restriction**

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

	2020	2019
Undesignated funds	\$ 2,885,885	\$ 2,744,604
Board designated funds	285,164	436,828
	\$ 3,171,049	\$ 3,181,432

**NATIONAL MUSEUM OF TRANSPORTATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**(8) Net Assets With Donor Restrictions**

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

	2020	2019
Subject to expenditure for specified purpose:		
Exhibit acquisition, maintenance, and restoration	\$ 622,765	\$ 589,051
Endowment funds:		
Subject to appropriation and expenditure when a specified event occurs:		
Available for general use	9,794	44,150
Available for archival preservation & historical papers	107,548	60,592
Subject to NFP endowment spending policy and appropriation:		
General operations	704,532	637,621
Archival preservation & historical papers	384,238	384,238
Perpetual - not subject to spending policy or appropriation:		
Land	2,619,600	2,619,600
Gift shop	250,000	250,000
	\$ 4,698,477	\$ 4,585,252

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

	2020	2019
Purpose restrictions accomplished		
Exhibit acquisition, maintenance, and restoration	\$ 158,456	\$ 36,022
Archival preservation & historical papers	43,621	-
Capital campaign	5,253	104,507
	\$ 207,330	\$ 140,529

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.

## NATIONAL MUSEUM OF TRANSPORTATION

### NOTES TO THE FINANCIAL STATEMENTS

#### (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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 246,072	\$ 258,010
Investments	1,960,445	1,966,468
Other receivables	164,992	-
Other restricted assets	(622,765)	(589,051)
Endowment restricted assets	<u>(1,088,770)</u>	<u>(1,021,859)</u>
	<u>\$ 659,974</u>	<u>\$ 613,568</u>

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) Paycheck Protection Program Loan

On April 13, 2020, the Museum received a PPP loan in the amount of \$172,651. The PPP loan program was created by the United States federal government in response to the economic impact of COVID-19 and 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 two years plus interest at 1% per annum, with payments deferred up to 10 months after the end of the covered period as defined in the CARES Act. There is no stated collateral or guarantees per the loan agreement.

During the year ended December 31, 2020, the Museum recognized \$172,651 of the loan proceeds as contribution income due to the Museum meeting the PPP's forgiveness criteria for that amount as of year-end. On February 3, 2021, the Company received approval from the Small Business Administration for 100% forgiveness of the PPP loan and accrued interest.

#### (11) Non-Cash Investing and Donations

During the year ended December 31, 2020, the Museum acquired equipment for general use by trading a piece of equipment for \$2,500.

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.

## NATIONAL MUSEUM OF TRANSPORTATION

### NOTES TO THE FINANCIAL STATEMENTS

#### **(12) Risk and Uncertainty Due to COVID-19**

On March 11, 2020, the World Health Organization 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.

The extent of the impact of the COVID-19 pandemic on operational and financial performance, including the Museum's ability to execute business strategies and initiatives in the expected time frame, will depend on future developments including the duration and spread of the pandemic, restrictions on travel, impacts on consumer confidence and spending, and the extent of any recession resulting from the pandemic. Currently the Museum cannot reasonably estimate the duration and severity of the COVID-19 pandemic, nor the overall impact to its operations. The accompanying financial statements do not include any adjustments for these events occurring subsequent to year-end or for the risk and uncertainty due to COVID-19.

#### **(13) Reclassification**

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

#### **(14) Subsequent Events**

Under the Consolidated Appropriations Act of 2021 signed into law on December 27, 2020, the United States federal government extended the PPP loan program. On January 13, 2021, the Small Business Administration began accepting Second Draw PPP loan applications for applicants that met certain criteria. The same forgiveness and payment criteria apply to Second Draw PPP loans as the initial PPP loan, with the exception that any monies required to be paid back would be repaid over five years instead of two. On March 7, 2021, the Museum received a Second Draw PPP loan in the amount of \$197,950. As of the date of the independent auditor's report, management believes that its use of loan proceeds will meet the condition for forgiveness of the loan.

On August 24, 2021, the Organization made a down payment of \$50,000 on the purchase of a \$200,000 miniature train. The remaining amount is expected to be paid in installments by February 28, 2022.