



FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

INDEPENDENT AUDITOR'S REPORT

Board of Directors
National Museum of Transportation

Opinion

We have audited the financial statements of National Museum of Transportation (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of National Museum of Transportation as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of National Museum of Transportation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about National Museum of Transportation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of National Museum of Transportation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about National Museum of Transportation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

October 26, 2022

SFW Partners, LLC
SFW Partners, LLC

NATIONAL MUSEUM OF TRANSPORTATION

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 263,214	\$ 246,072
Investments	2,313,800	1,960,445
Unconditional promises-to-give	7,000	10,500
Inventories	56,883	51,931
Other receivables	276,030	164,992
Prepaid expenses	20,740	7,480
Total current assets	<u>2,937,667</u>	<u>2,441,420</u>
Property and equipment, net of accumulated depreciation and amortization	<u>5,548,820</u>	<u>5,595,851</u>
Total assets	<u><u>\$ 8,486,487</u></u>	<u><u>\$ 8,037,271</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	\$ 250	\$ -
Accounts payable and accrued expenses	100,758	59,758
Deferred revenue	184,338	107,987
Total current liabilities	<u>285,346</u>	<u>167,745</u>
Net assets:		
Without donor restrictions (Note 8)	3,353,182	3,171,049
With donor restrictions (Note 9)	4,847,959	4,698,477
Total net assets	<u>8,201,141</u>	<u>7,869,526</u>
Total liabilities and net assets	<u><u>\$ 8,486,487</u></u>	<u><u>\$ 8,037,271</u></u>

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, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Program revenue:						
Gate fees	\$ 483,344	\$ -	\$ 483,344	\$ 177,059	\$ -	\$ 177,059
Gift shop and concessions	285,290	-	285,290	125,909	-	125,909
Membership dues	218,888	-	218,888	143,581	-	143,581
Other program revenues	181,209	-	181,209	109,281	-	109,281
Total program revenue	<u>1,168,731</u>	<u>-</u>	<u>1,168,731</u>	<u>555,830</u>	<u>-</u>	<u>555,830</u>
Support and other revenue:						
County stipend	400,000	-	400,000	450,000	-	450,000
Contributions	302,276	57,207	359,483	181,135	150,017	331,152
Net investment return	42,202	198,864	241,066	20,021	170,538	190,559
Paycheck protection program loan	197,950	-	197,950	172,651	-	172,651
Non cash donations	7,911	49,000	56,911	-	-	-
Miscellaneous	25,789	-	25,789	18,741	-	18,741
Loss on disposal of property and equipment	-	-	-	(1,217)	-	(1,217)
Total support and other revenue	<u>976,128</u>	<u>305,071</u>	<u>1,281,199</u>	<u>841,331</u>	<u>320,555</u>	<u>1,161,886</u>
Total revenue and support	<u>2,144,859</u>	<u>305,071</u>	<u>2,449,930</u>	<u>1,397,161</u>	<u>320,555</u>	<u>1,717,716</u>
Net assets released from restrictions	155,589	(155,589)	-	207,330	(207,330)	-
Functional expenses:						
Program services:						
Gate fees, gift shop, concessions, and other program services	1,051,074	-	1,051,074	700,303	-	700,303
Museum maintenance and restoration	491,465	-	491,465	333,457	-	333,457
Capital campaign	40,112	-	40,112	35,631	-	35,631
Education and membership	116,070	-	116,070	89,411	-	89,411
Total program services	<u>1,698,721</u>	<u>-</u>	<u>1,698,721</u>	<u>1,158,802</u>	<u>-</u>	<u>1,158,802</u>
Supporting services:						
General and administrative	240,390	-	240,390	257,675	-	257,675
Fundraising	179,204	-	179,204	198,397	-	198,397
Total supporting services	<u>419,594</u>	<u>-</u>	<u>419,594</u>	<u>456,072</u>	<u>-</u>	<u>456,072</u>
Total functional expenses	<u>2,118,315</u>	<u>-</u>	<u>2,118,315</u>	<u>1,614,874</u>	<u>-</u>	<u>1,614,874</u>
Changes in net assets	182,133	149,482	331,615	(10,383)	113,225	102,842
Net assets, beginning of the year	3,171,049	4,698,477	7,869,526	3,181,432	4,585,252	7,766,684
Net assets, end of the year	<u>\$ 3,353,182</u>	<u>\$ 4,847,959</u>	<u>\$ 8,201,141</u>	<u>\$ 3,171,049</u>	<u>\$ 4,698,477</u>	<u>\$ 7,869,526</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, 2021**

	Program Services				Supporting Services			
	Gate Fees, Gift Shop, Concessions, and Other Program Services	Museum Maintenance and Restoration	Capital Campaign	Education and Membership	Total Program Services	General and Administrative	Fundraising	Total
Salaries and payroll taxes	\$ 536,164	\$ 157,844	\$ 36,005	\$ 52,779	\$ 782,792	\$ 11,734	\$ 84,760	\$ 879,286
Exhibit maintenance	-	225,391	-	-	225,391	-	-	225,391
Insurance	36,739	5,075	-	36,739	78,553	39,162	36,739	154,454
Cost of sales:								
Gift shop	101,577	-	-	-	101,577	-	-	101,577
Concessions	36,380	-	-	-	36,380	-	-	36,380
Depreciation and amortization	87,533	-	-	-	87,533	49,237	-	136,770
Promotion and public relations	16,244	16,244	-	-	32,488	22,626	52,966	108,080
Utilities	104,948	-	-	-	104,948	-	-	104,948
Ride and other program expenses	79,236	-	-	-	79,236	-	-	79,236
Office expenses	18,938	18,938	4,107	10,145	52,128	16,231	3,382	71,741
Non cash expenses	-	49,000	-	-	49,000	-	-	49,000
Printing	5,534	2,421	-	13,835	21,790	12,798	-	34,588
Bank charges	-	-	-	-	-	30,138	-	30,138
Workers compensation insurance	7,871	7,600	-	1,629	17,100	8,686	1,357	27,143
Miscellaneous	8,540	8,807	-	-	17,347	9,341	-	26,688
Professional fees	-	-	-	-	-	38,643	-	38,643
Occupancy	10,250	-	-	-	10,250	300	-	10,550
Telephone	580	145	-	580	1,305	768	-	2,073
Personnel aide	540	-	-	-	540	539	-	1,079
Postage	-	-	-	363	363	187	-	550
	<u>\$ 1,051,074</u>	<u>\$ 491,465</u>	<u>\$ 40,112</u>	<u>\$ 116,070</u>	<u>\$ 1,698,721</u>	<u>\$ 240,390</u>	<u>\$ 179,204</u>	<u>\$ 2,118,315</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, 2020

	Program Services				Supporting Services			
	Gate Fees, Gift Shop, Concessions, and Other Program Services	Museum Maintenance and Restoration	Capital Campaign	Education and Membership	Total Program Services	General and Administrative	Fundraising	Total
Salaries and payroll taxes	\$ 329,332	\$ 97,764	\$ 32,295	\$ 35,101	\$ 494,492	\$ 70,733	\$ 157,608	\$ 722,833
Exhibit maintenance	-	178,372	-	-	178,372	-	-	178,372
Insurance	34,929	5,075	-	34,929	74,933	36,547	34,929	146,409
Cost of sales:								
Gift shop	35,365	-	-	-	35,365	-	-	35,365
Concessions	10,734	-	-	-	10,734	-	-	10,734
Depreciation and amortization	88,399	-	-	-	88,399	49,724	-	138,123
Promotion and public relations	14,000	14,000	-	-	28,000	19,500	2,500	50,000
Utilities	90,929	-	-	-	90,929	-	-	90,929
Ride and other program expenses	43,421	-	-	-	43,421	-	-	43,421
Office expenses	13,172	13,172	3,336	7,056	36,736	11,290	2,352	50,378
Printing	3,386	1,481	-	8,464	13,331	7,830	-	21,161
Bank charges	-	-	-	-	-	10,480	-	10,480
Workers compensation insurance	5,845	5,643	-	1,209	12,697	6,450	1,008	20,155
Miscellaneous	16,961	17,491	-	-	34,452	18,546	-	52,998
Professional fees	-	-	-	-	-	21,745	-	21,745
Occupancy	10,950	-	-	-	10,950	-	-	10,950
Telephone	1,836	459	-	1,836	4,131	2,426	-	6,557
Personnel aide	1,044	-	-	-	1,044	1,044	-	2,088
Postage	-	-	-	816	816	420	-	1,236
Dues	-	-	-	-	-	940	-	940
	<u>\$ 700,303</u>	<u>\$ 333,457</u>	<u>\$ 35,631</u>	<u>\$ 89,411</u>	<u>\$ 1,158,802</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

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Changes in net assets	\$ 331,615	\$ 102,842
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	136,770	138,123
Gain on sales of investments	(86,122)	(31,506)
Loss on disposal of property and equipment	-	1,217
Net appreciation of investments	(114,869)	(136,058)
Non-cash loan proceeds	250	-
Non-cash donations	(7,911)	-
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Unconditional promises-to-give	3,500	12,050
Inventories	(4,952)	9,801
Other receivables	(111,038)	(164,992)
Prepaid expenses	(13,260)	(7,427)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	41,000	(61,607)
Deferred revenue	76,351	(28,363)
Net cash provided by (used in) operating activities	251,334	(165,920)
Cash flows from investing activities:		
Proceeds from sales of investments	275,787	464,357
Purchases of investments	(420,240)	(290,770)
Purchases of property and equipment	(89,739)	(19,605)
Net cash (used in) provided by investing activities	(234,192)	153,982
Net increase (decrease) in cash and cash equivalents	17,142	(11,938)
Cash and cash equivalents, beginning of the year	246,072	258,010
Cash and cash equivalents, end of the year	\$ 263,214	\$ 246,072

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. Unrealized gains and losses on investments are recorded as changes in net assets in the periods in which they occur. Interest and dividend income from investments is recognized when earned. Gains or losses on the sale of investments are recognized on a specific identification basis. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. These income and loss amounts are included in net investment return on the accompanying statements of activities and changes in net assets. Investment fees expensed for the years ended December 31, 2021 and 2020 was \$20,278 and \$17,736, respectively.

Unconditional Promises-to-Give

Unconditional promises-to-give are recognized as revenue when the promise is received. Conditional promises-to-give, that is those with a measurable performance or other barrier, are recognized as support 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, 2021 and 2020 were \$7,000 and \$10,500, respectively.

Inventory

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

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. Major 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. 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, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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. Contributions restricted by donors are reported as increases in net assets without donor restrictions (that is, when stipulated time restrictions ends or purpose restriction is accomplished) in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a donor 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.

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 ("Board") has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board, in its sole discretion, shall determine. In accordance with the 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 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.

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 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. 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.

Support and Revenue Recognition

Program service fees and payments under cost-reimbursable contracts received in advance of services rendered are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

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 without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions.

Contributions without donor restrictions include resources available for the support of operations, which have no donor-imposed restrictions.

Non-Cash Contributions

Non-cash contributions are recorded as support without donor restrictions unless specifically restricted by the donor. Exhibits, displays, and property and equipment and stock items are valued at their fair market value. During the years ended December 31, 2021 and 2020, the Museum received non-cash contributions, excluding contributed services, of \$56,911 and \$0, respectively (see Note 13).

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Museum in its mission. These services are not recognized in the financial statements.

Paycheck Protection Program Loan

The Museum accounts for the Paycheck Protection Program (“PPP”) Loan, which is a forgivable loan program established under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, in accordance with 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 11).

NATIONAL MUSEUM OF TRANSPORTATION

NOTES TO THE FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies (Continued)

Employee Retention Credit

The Employee Retention Credit (“ERC”) is a fully refundable payroll tax credit allowed to an eligible employer for qualifying wages established under the CARES Act and further amended by the Consolidated Appropriations Act and the American Rescue Plan. The Museum has elected to record the ERC once it is probable any conditions attached to the assistance will be met and the Museum will receive the funds. Once the Museum is reasonably certain the conditions will be met, the Museum records the ERC over the periods in which it recognizes the qualifying expenses. The Museum recorded the ERC as other receivables. Included in other receivables as of December 31, 2021 and 2020 was \$274,745 and \$163,430, respectively. Included as a reduction in payroll tax expenses was \$111,315 and \$163,430 of refundable employee retention tax credits related to wages paid during the years ending December 31, 2021 and 2020, respectively.

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, 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 management’s estimate of time and effort including depreciation and amortization, miscellaneous, office expenses, personnel aides, postage, promotion and public relations, salaries and payroll taxes, telephone, utilities, printing, bank charges, occupancy and workers compensation insurance. Expenses that are allocated based on usage include exhibit maintenance, ride and other program expenses, non-cash expenses, and professional fees. 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 Board 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.

NATIONAL MUSEUM OF TRANSPORTATION

NOTES TO THE FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies (Continued)

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.

Concentration of Credit Risk

The Museum, on occasion, maintains cash deposits with a bank that include funds greater than the insured limit by FDIC. The Museum has not experienced any losses in such accounts. The Board believes the Museum is not exposed to any significant credit risk related to cash. The amounts on deposit at December 31, 2021 and 2020 did not exceed the insured limits.

The Museum maintains cash equivalents and investments with brokerage firms that include funds greater than 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 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, 2021 and 2020 exceeded the insured limit by \$1,412,246 and \$1,022,861, respectively.

Statements of Cash Flows

For purposes of the statements 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, 2021</i>				
Fixed income mutual funds and bonds	\$ 812,788	\$ 7,216	\$ (10,298)	\$ 809,706
Equity funds	1,073,803	394,528	(2,075)	1,466,256
Real assets	39,148	-	(1,310)	37,838
	<u>\$ 1,925,739</u>	<u>\$ 401,744</u>	<u>\$ (13,683)</u>	<u>\$ 2,313,800</u>
<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>

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, 2021 and 2020. The investments currently in an unrealized holding loss position have a market value of \$628,768 and \$177,019 at December 31, 2021 and 2020, respectively.

(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.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

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, 2021</i>				
Fixed income mutual funds and bonds	\$ 809,706	\$ 809,706	\$ -	\$ -
Equity funds	1,466,255	1,466,255	-	-
Real assets	37,839	37,839	-	-
	<u>\$ 2,313,800</u>	<u>\$ 2,313,800</u>	<u>\$ -</u>	<u>\$ -</u>
<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>

NATIONAL MUSEUM OF TRANSPORTATION
NOTES TO THE FINANCIAL STATEMENTS

(5) Property and Equipment

Property and equipment consists of the following at December 31:

	2021	2020
Buildings and leasehold improvements	\$ 3,660,935	\$ 3,660,935
Furniture and fixtures	319,896	303,503
Vehicles	105,863	105,863
Exhaustible exhibits	49,872	49,872
Gift shop equipment	11,067	11,067
	4,147,633	4,131,240
Accumulated depreciation and amortization	(1,349,927)	(1,213,157)
	2,797,706	2,918,083
Land	2,619,600	2,619,600
Construction in progress	131,514	58,168
	\$ 5,548,820	\$ 5,595,851

Depreciation and amortization expense for the years ended December 31, 2021 and 2020 was \$136,770 and \$138,123, respectively.

(6) Note Payable

During November 2021, the Museum entered into a promissory note agreement with a bank to purchase a newly built used locomotive engine. The note agreement allows for various draws up to \$149,000 by March 2022, with interest paid monthly at 3.99%. In March 2022, the note converted to a permanent term note with monthly principal and interest payments of \$2,748, with interest at 3.99%. Final payment is due March 2027. The locomotive engine is pledged as collateral. The total amount outstanding on the note agreement as of December 31, 2021 and December 31, 2020 was \$250 and \$0, respectively.

Subsequent to year-end, the Museum had additional draws on the note agreement above and an additional note agreement with a bank (see Note 16).

NATIONAL MUSEUM OF TRANSPORTATION

NOTES TO THE FINANCIAL STATEMENTS

(7) Endowments

The endowments consist of two individual funds established by donors to provide annual funding for specific activities and general operations. At December 31, the Museum had the following endowment net asset composition by type of fund:

	2021	2020
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	853,777	763,849
	\$ 1,296,040	\$ 1,206,112

At December 31, the Museum had the following changes in endowment net assets as follows:

	2021	2020
Donor-restricted endowment funds, beginning of year	\$ 1,206,112	\$ 1,126,601
Investment gain, net	135,960	123,132
Investment gains released	(46,032)	(43,621)
Donor-restricted endowment funds, end of year	\$ 1,296,040	\$ 1,206,112

(8) Net Assets Without Donor Restrictions

The net assets without donor restrictions at December 31:

	2021	2020
Undesignated funds	\$ 2,807,862	\$ 2,885,885
Board designated funds	545,320	285,164
	\$ 3,353,182	\$ 3,171,049

NATIONAL MUSEUM OF TRANSPORTATION
NOTES TO THE FINANCIAL STATEMENTS

(9) Net Assets With Donor Restrictions

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

	2021	2020
Subject to expenditure for specified purpose:		
Exhibit acquisition, maintenance, and restoration	\$ 682,319	\$ 622,765
Endowment funds:		
Subject to appropriation and expenditure when a specified event occurs:		
Available for general use	13,740	9,794
Available for archival preservation & historical papers	150,712	107,548
Subject to NFP endowment spending policy and appropriation:		
General operations	747,350	704,532
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
	\$ 4,847,959	\$ 4,698,477

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

	2021	2020
Purpose restrictions accomplished		
Exhibit acquisition, maintenance, and restoration	\$ 109,557	\$ 158,456
Archival preservation & historical papers	46,032	43,621
Capital campaign	-	5,253
	\$ 155,589	\$ 207,330

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

(10) 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 263,214	\$ 246,072
Investments	2,313,800	1,960,445
Other receivables	276,030	164,992
Other restricted assets	(682,319)	(622,765)
Endowment restricted assets	<u>(1,282,300)</u>	<u>(1,196,318)</u>
	<u>\$ 888,425</u>	<u>\$ 552,426</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.

(11) 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 Museum received approval from the Small Business Administration for 100% forgiveness of the PPP loan and accrued interest.

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.

During the year ended December 31, 2021, the Museum recognized \$197,950 of the Second Draw PPP loan proceeds as contribution income due to the Museum meeting the Second Draw PPP's forgiveness criteria for that amount as of year-end. On June 2, 2022, the Museum received approval from the Small Business Administration for 100% forgiveness of the second PPP loan and accrued interest.

NATIONAL MUSEUM OF TRANSPORTATION

NOTES TO THE FINANCIAL STATEMENTS

(12) Leases

The Museum leases certain equipment under an operating lease. The lease requires monthly rent of \$740 and will expire in January 2024. Total lease expense for the years ended December 31, 2021 and 2020 was \$9,099 and \$9,750, respectively.

Future minimum lease payments required under the leases that have remaining noncancellable lease terms in excess of one year as of December 31, 2021 are as follows:

Year ending December 31:	
2022	\$ 8,875
2023	8,875
2024	<u>740</u>
	<u>\$ 18,490</u>

(13) Non-Cash Investing and Donations

During the year ended December 31, 2021, the Museum received an exhibit donation, raffle item donation, and stock donation that had an estimated value of \$30,000, \$19,000 and \$7,911, respectively. These donations are recorded in total revenue and support during the year ending December 31, 2021.

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

(14) Donor Concentrations

During the year ended December 31, 2021, the Museum had three donors that comprised 34% of the total donor contributions received. During the year ended December 31, 2020, the Museum had one donor that comprised 33% of the total donor contributions received.

During the years ended December 31, 2021 and 2020, the Museum received 16% and 26%, respectively, of its total revenues from a local entity.

(15) Recent Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842). This guidance requires leases be recognized as assets and liabilities arising from all leases with a term greater than 12 months in duration. The changes from this standard will be effective for the Organization for the period ending December 31, 2022.

NATIONAL MUSEUM OF TRANSPORTATION

NOTES TO THE FINANCIAL STATEMENTS

(16) Subsequent Events

Subsequent to year-end through March 8, 2022, the Museum took various additional draws totaling \$148,750 from the note agreement established prior to year-end (see Note 6).

On July 8, 2022, the Museum entered into a note agreement with a bank for \$34,280 for the purchase of a used vehicle used as collateral. The note requires monthly principal and interest payments of \$640, with interest at 4.50%, beginning August 8, 2022 with final payment due July 8, 2027.

Maturities on the long-term debt outstanding, including subsequent to year-end, consist of the following at:

Year ending December 31:	
2022	\$ 24,460
2023	34,801
2024	36,249
2025	37,758
2026	39,329
Later years	<u>10,683</u>
	<u>\$ 183,280</u>

In February 2022, the Museum sold a stationary engine from their exhibits collection for \$125,000, with the proceeds to be used to purchase additional collection items in the future not yet determined as of the date the financial statements were available for issuance.