



FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

## 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, 2022 and 2021, 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, 2022 and 2021, 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.

November 29, 2023

*SFW Partners, LLC*  
SFW Partners, LLC

**NATIONAL MUSEUM OF TRANSPORTATION**

**STATEMENTS OF FINANCIAL POSITION**

**As of December 31, 2022 and 2021**

ASSETS		2022	2021
Current assets:			
Cash and cash equivalents		\$ 408,979	\$ 263,214
Investments		2,187,473	2,313,800
Unconditional promises-to-give		3,500	7,000
Inventories		64,410	56,883
Other receivables		4,353	276,030
Prepaid expenses		8,803	20,740
Total current assets		2,677,518	2,937,667
Property and equipment, net of accumulated depreciation and amortization		5,512,722	5,548,820
Operating lease right-of-use asset		9,573	-
Total assets		\$ 8,199,813	\$ 8,486,487
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current maturities of long-term debt		\$ 34,801	\$ 250
Current maturities of obligations under operating lease		8,834	-
Accounts payable and accrued expenses		99,213	100,758
Deferred revenue		179,629	184,338
Total current liabilities		322,477	285,346
Long-term debt, less current maturities		124,980	-
Obligations under operating lease, less current maturities		739	-
Total liabilities		448,196	285,346
Net assets:			
Without donor restrictions (Note 9)		3,224,434	3,353,182
With donor restrictions (Note 10)		4,527,183	4,847,959
Total net assets		7,751,617	8,201,141
Total liabilities and net assets		\$ 8,199,813	\$ 8,486,487

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, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Program revenue:						
Gate fees	\$ 513,907	\$ -	\$ 513,907	\$ 483,344	\$ -	\$ 483,344
Gift shop and concessions	260,489	-	260,489	285,290	-	285,290
Membership dues	299,498	-	299,498	218,888	-	218,888
Other program revenues	203,431	-	203,431	181,209	-	181,209
Total program revenue	<u>1,277,325</u>	<u>-</u>	<u>1,277,325</u>	<u>1,168,731</u>	<u>-</u>	<u>1,168,731</u>
Support and other revenue:						
Contributions	585,960	261,506	847,466	302,276	57,207	359,483
Net investment return	(71,452)	(267,982)	(339,434)	42,202	198,864	241,066
Gain on sale of collection exhibition	-	124,985	124,985	-	-	-
Miscellaneous	10,322	-	10,322	25,789	-	25,789
County stipend	-	-	-	400,000	-	400,000
Paycheck protection program loan	-	-	-	197,950	-	197,950
Non cash donations	-	-	-	7,911	49,000	56,911
Loss on asset impairment	(12,370)	-	(12,370)	-	-	-
Total support and other revenue	<u>512,460</u>	<u>118,509</u>	<u>630,969</u>	<u>976,128</u>	<u>305,071</u>	<u>1,281,199</u>
Total revenue and support	<u>1,789,785</u>	<u>118,509</u>	<u>1,908,294</u>	<u>2,144,859</u>	<u>305,071</u>	<u>2,449,930</u>
Net assets released from restrictions	439,285	(439,285)	-	155,589	(155,589)	-
Functional expenses:						
Program services:						
Gate fees, gift shop, concessions, and other program services	1,027,719	-	1,027,719	1,051,074	-	1,051,074
Museum maintenance and restoration	682,487	-	682,487	491,465	-	491,465
Capital campaign	20,422	-	20,422	40,112	-	40,112
Education and membership	110,948	-	110,948	116,070	-	116,070
Total program services	<u>1,841,576</u>	<u>-</u>	<u>1,841,576</u>	<u>1,698,721</u>	<u>-</u>	<u>1,698,721</u>
Supporting services:						
General and administrative	360,399	-	360,399	240,390	-	240,390
Fundraising	155,843	-	155,843	179,204	-	179,204
Total supporting services	<u>516,242</u>	<u>-</u>	<u>516,242</u>	<u>419,594</u>	<u>-</u>	<u>419,594</u>
Total functional expenses	<u>2,357,818</u>	<u>-</u>	<u>2,357,818</u>	<u>2,118,315</u>	<u>-</u>	<u>2,118,315</u>
Changes in net assets	(128,748)	(320,776)	(449,524)	182,133	149,482	331,615
Net assets, beginning of the year	3,353,182	4,847,959	8,201,141	3,171,049	4,698,477	7,869,526
Net assets, end of the year	<u>\$ 3,224,434</u>	<u>\$ 4,527,183</u>	<u>\$ 7,751,617</u>	<u>\$ 3,353,182</u>	<u>\$ 4,847,959</u>	<u>\$ 8,201,141</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, 2022**

	Program Services				Supporting Services			Total
	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	
Salaries and payroll taxes	\$ 398,625	\$ 330,144	\$ 20,415	\$ 29,924	\$ 779,108	\$ 105,956	\$ 102,830	\$ 987,894
Exhibit maintenance	-	286,553	-	-	286,553	-	-	286,553
Insurance	44,546	5,075	-	44,546	94,167	47,055	44,546	185,768
Depreciation and amortization	111,955	-	-	-	111,955	62,975	-	174,930
Cost of sales:								
Gift shop	119,147	-	-	-	119,147	-	-	119,147
Concessions	48,134	-	-	-	48,134	-	-	48,134
Utilities	127,718	-	-	-	127,718	-	-	127,718
Ride and other program expenses	89,397	-	-	-	89,397	-	-	89,397
Office expenses	18,598	18,598	-	19,919	57,115	15,941	5,233	78,289
Promotion and public relations	14,629	10,005	-	-	24,634	41,428	1,786	67,848
Professional fees	-	-	-	2,563	2,563	38,788	-	41,351
Bank charges	26,217	1,030	7	-	27,254	12,661	-	39,915
Miscellaneous	11,389	11,772	-	-	23,161	7,769	-	30,930
Workers compensation insurance	8,398	8,108	-	1,737	18,243	9,267	1,448	28,958
Printing	3,545	1,551	-	9,577	14,673	8,201	-	22,874
Occupancy	1,133	9,468	-	-	10,601	59	-	10,660
Personnel aide	3,556	-	-	-	3,556	3,556	-	7,112
Interest expense	-	-	-	-	-	4,771	-	4,771
Postage	-	-	-	1,950	1,950	1,004	-	2,954
Telephone	732	183	-	732	1,647	968	-	2,615
	<u>\$ 1,027,719</u>	<u>\$ 682,487</u>	<u>\$ 20,422</u>	<u>\$ 110,948</u>	<u>\$ 1,841,576</u>	<u>\$ 360,399</u>	<u>\$ 155,843</u>	<u>\$ 2,357,818</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, 2021**

	Program Services				Supporting Services			Total
	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	
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
Depreciation and amortization	87,533	-	-	-	87,533	49,237	-	136,770
Cost of sales:								
Gift shop	101,577	-	-	-	101,577	-	-	101,577
Concessions	36,380	-	-	-	36,380	-	-	36,380
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
Promotion and public relations	16,244	16,244	-	-	32,488	22,626	52,966	108,080
Professional fees	-	-	-	-	-	38,643	-	38,643
Bank charges	-	-	-	-	-	30,138	-	30,138
Miscellaneous	8,540	8,807	-	-	17,347	9,341	-	26,688
Workers compensation insurance	7,871	7,600	-	1,629	17,100	8,686	1,357	27,143
Printing	5,534	2,421	-	13,835	21,790	12,798	-	34,588
Occupancy	10,250	-	-	-	10,250	300	-	10,550
Personnel aide	540	-	-	-	540	539	-	1,079
Postage	-	-	-	363	363	187	-	550
Telephone	580	145	-	580	1,305	768	-	2,073
Non-cash expenses	-	49,000	-	-	49,000	-	-	49,000
	<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**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2022 and 2021**

	2022	2021
Cash flows from operating activities:		
Changes in net assets	\$ (449,524)	\$ 331,615
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	174,930	136,770
Gain on sales of investments	(14,874)	(86,122)
Gain on sale of collection exhibition	(124,985)	-
Loss on asset impairment	12,370	-
Net depreciation (appreciation) of investments	395,796	(114,869)
Non-cash loan proceeds	-	250
Non-cash donations	(53,443)	(7,911)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Unconditional promises-to-give	3,500	3,500
Inventories	(7,527)	(4,952)
Other receivables	271,677	(111,038)
Prepaid expenses	11,937	(13,260)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,545)	41,000
Deferred revenue	(4,709)	76,351
Net cash provided by operating activities	213,603	251,334
Cash flows from investing activities:		
Proceeds from sales of investments	379,159	275,787
Purchases of investments	(580,311)	(420,240)
Proceeds from sale of collection exhibition	124,985	-
Purchases of property and equipment	(116,922)	(89,739)
Net cash used in investing activities	(193,089)	(234,192)
Cash flows from financing activities:		
Borrowings on long-term debt	148,750	-
Principal payments on long-term debt	(23,499)	-
Net cash provided by borrowing activities	125,251	-
Net increase in cash and cash equivalents	145,765	17,142
Cash and cash equivalents, beginning of the year	263,214	246,072
Cash and cash equivalents, end of the year	\$ 408,979	\$ 263,214

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. The Museum’s programs are supported primarily by program revenues, membership dues, and contributions. 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 Museum’s 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.

### (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.

## NATIONAL MUSEUM OF TRANSPORTATION

### NOTES TO THE FINANCIAL STATEMENTS

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

##### *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, 2022 and 2021 was \$20,638 and \$20,278, 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, 2022 and 2021 were \$3,500 and \$7,000, 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.

##### *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.

**NATIONAL MUSEUM OF TRANSPORTATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

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

*Leases*

Effective January 1, 2022, the Museum adopted Accounting Standards Update (“ASU”) 2016-02, *Leases*, and other related ASUs (collectively, Accounting Standards Codification (“ASC”) Topic 842) which requires lease assets and liabilities to be recorded on the statement of financial position. The Museum used the modified retrospective transition approach and elected certain practical expedients permitted under the transition guidance. Under the transition option elected, ASC Topic 842 is applied as of January 1, 2022, while prior period amounts have not been adjusted and continue to be reported in accordance with previous guidance.

As part of the adoption of ASC 842, the Museum elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. The Museum also elected the practical expedient package to not reassess at adoption (i) expired or existing contracts whether they are a lease or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial indirect costs for existing leases.

The Museum, at the inception of the contract, determines whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the use of an asset includes the right to obtain substantially all of the economic benefits of the underlying asset and the right to direct how and for what purpose the asset is used. The Museum’s right-of-use (“ROU”) assets represent the Museum’s right to use the underlying assets for the lease term and the lease liabilities represent the Museum’s obligation to make lease payments arising from the leases. ROU assets and lease obligations are recognized at the commencement date based on the present value of lease payments over the lease term. Lease term is defined as the non-cancelable period of the lease plus any options to extend or terminate the lease when it is reasonably certain that the Museum will exercise the option. The Museum has elected to use a risk-free interest rate for all asset classes to calculate the present value of the sum of the lease payments.

The Museum has elected not to recognize ROU assets and lease obligations for its short-term leases, which are defined as leases with an initial term of 12 months or less.

*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.

## NATIONAL MUSEUM OF TRANSPORTATION

### NOTES TO THE FINANCIAL STATEMENTS

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

##### *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.

*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 Organizations 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 ("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.

# NATIONAL MUSEUM OF TRANSPORTATION

## NOTES TO THE FINANCIAL STATEMENTS

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

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.

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*

Effective January 1, 2022, the Museum adopted Accounting Standards Update (“ASU”) 2020-07, Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets (Accounting Standards Codification (“ASC”) Topic 958). The update is applied on a retrospective basis and the prior year is presented in accordance with the new standard. No line items in the statements of financial position or the statements of activities and changes in net assets have been materially impacted.

## NATIONAL MUSEUM OF TRANSPORTATION

### NOTES TO THE FINANCIAL STATEMENTS

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

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. The Organization did not monetize any non-cash donation. During the years ended December 31, 2022 and 2021, the Museum received non-cash contributions, excluding contributed services, of \$53,443 and \$56,911, 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 12).

#### *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. Included in other receivables as of December 31, 2021 was \$274,745. Included as a reduction in payroll tax expenses was \$111,315 of refundable employee retention tax credits related to wages paid during the year ending December 31, 2021. There was no ERC receivable or reduction in payroll tax expenses as of and for the year ended December 31, 2022.

#### *Program Services Expenses*

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 Expenses*

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.



# NATIONAL MUSEUM OF TRANSPORTATION

## NOTES TO THE FINANCIAL STATEMENTS

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

#### *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.

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, 2022 and 2021 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, 2022 and 2021 exceeded the insured limit by \$1,303,350 and \$1,412,246, 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.

**NATIONAL MUSEUM OF TRANSPORTATION**

**NOTES TO THE FINANCIAL STATEMENTS**

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

*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.

**(3) Investments**

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

	<u>Cost</u>	<u>Gross Unrealized Holding Gains</u>	<u>Gross Unrealized Holding Losses</u>	<u>Market Value</u>
<i>December 31, 2022</i>				
Fixed income mutual funds and bonds, available-for-sale	\$ 911,079	\$ 788	\$ (85,081)	\$ 826,786
Equity funds	1,188,244	186,960	(46,595)	1,328,609
Real assets	33,766	-	(1,688)	32,078
	<u>\$ 2,133,089</u>	<u>\$ 187,748</u>	<u>\$ (133,364)</u>	<u>\$ 2,187,473</u>
<i>December 31, 2021</i>				
Fixed income mutual funds and bonds, available-for-sale	\$ 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>

Fixed income mutual funds and bonds available-for-sale securities have incurred gross unrealized holding losses. The amounts and length of time that individual securities have been in a continuous unrealized holding loss position at December 31, 2022 and 2021 are as follows.

	<u>Less than 12 Months</u>		<u>12 Months or Greater</u>		<u>Total</u>	
	<u>Market Value</u>	<u>Unrealized Holding Losses</u>	<u>Market Value</u>	<u>Unrealized Holding Losses</u>	<u>Market Value</u>	<u>Unrealized Holding Losses</u>
<i>December 31, 2022</i>						
Fixed income mutual funds and bonds, available-for-sale	\$ 392,423	\$ 49,499	\$ 316,312	\$ 35,578	\$ 708,735	\$ 85,077
<i>December 31, 2021</i>						
Fixed income mutual funds and bonds, available-for-sale	\$ 543,879	\$ 10,298	\$ -	\$ -	\$ 543,879	\$ 10,298



## NATIONAL MUSEUM OF TRANSPORTATION

### NOTES TO THE FINANCIAL STATEMENTS

#### (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, 2022 and 2021.

#### *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, 2022</i>				
Fixed income mutual funds and bonds	\$ 826,786	\$ 826,786	\$ -	\$ -
Equity funds	1,328,609	1,328,609	-	-
Real assets	32,078	32,078	-	-
	<u>\$ 2,187,473</u>	<u>\$ 2,187,473</u>	<u>\$ -</u>	<u>\$ -</u>
<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>

**NATIONAL MUSEUM OF TRANSPORTATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

**(5) Property and Equipment**

Property and equipment consists of the following at December 31:

	2022	2021
Buildings and leasehold improvements	\$ 3,665,264	\$ 3,660,935
Furniture and fixtures	328,989	319,896
Vehicles	163,643	105,863
Exhaustible exhibits	49,872	49,872
Gift shop equipment	11,067	11,067
	4,218,835	4,147,633
Accumulated depreciation and amortization	(1,524,857)	(1,349,927)
	2,693,978	2,797,706
Land	2,619,600	2,619,600
Construction in progress	199,144	131,514
	\$ 5,512,722	\$ 5,548,820

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 was \$174,930 and \$136,770, respectively.

**(6) Leases**

The Museum leases equipment under a noncancelable operating lease agreement. The lease agreement has a term of 3 years. The Museum's lease agreement does not contain any material residual value guarantees, restrictions, or covenants.

Components of lease expense and the classification in the statements of activities are as follows for the year ending December 31, 2022:

Component of Lease Expense	Classification on Statements of Activities		
Operating lease expense	Exhibit maintenance expense	\$	8,875

Weighted-average lease terms and discount rates for the operating lease is as follows as of December 31, 2022:

Weighted-average remaining lease term (years):	
Operating lease	1.08
Weighted-average discount rate:	
Operating lease	0.75%

**NATIONAL MUSEUM OF TRANSPORTATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

**(6) Leases (Continued)**

Cash flow and other lease information are as follows as of December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating lease	\$ 8,875
Right-of-use assets obtained in noncash exchange for lease liabilities:	
Operating lease	\$ 18,341

Future maturities of lease liabilities are as follows as of December 31, 2022:

2023	\$ 8,875
2024	740
Total lease payments	9,615
Less imputed interest	(42)
Total lease obligations	9,573
Less current obligations	(8,834)
Long-term lease obligations	\$ 739

**(7) Long-Term Debt**

Long-term debt outstanding consists of the following at December 31:

	2022	2021
Note payable, due in monthly installments of \$2,748, including interest at 3.99%, with final payment due on March 8, 2027. A locomotive engine is pledged as collateral.	\$ 128,066	\$ 250
Note payable, due in monthly installments of \$640, including interest at 4.50% per annum, with final payment due on July 8, 2027. A vehicle is pledged as collateral.	31,715	-
Less current maturities	(34,801)	(250)
	\$ 124,980	\$ -

**NATIONAL MUSEUM OF TRANSPORTATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

**(7) Long-Term Debt**

Maturities on the long-term debt are as follows:

Year ending December 31:	
2023	\$ 34,801
2024	36,249
2025	37,758
2026	39,329
2027	<u>11,644</u>
	<u>\$ 159,781</u>

**(8) Endowments**

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

	<u>2022</u>	<u>2021</u>
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, net	<u>653,785</u>	<u>853,777</u>
	<u>\$ 1,096,048</u>	<u>\$ 1,296,040</u>

The Museum had the following changes in endowment net assets at December 31:

	<u>2022</u>	<u>2021</u>
Donor-restricted endowment funds, beginning of year	\$ 1,296,040	\$ 1,206,112
Investment (loss) gain, net	(186,253)	135,960
Investment gains released	<u>(13,739)</u>	<u>(46,032)</u>
Donor-restricted endowment funds, end of year	<u>\$ 1,096,048</u>	<u>\$ 1,296,040</u>

**NATIONAL MUSEUM OF TRANSPORTATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**(9) Net Assets Without Donor Restrictions**

The net assets without donor restrictions at December 31:

	2022	2021
Undesignated funds	\$ 2,487,100	\$ 2,807,862
Board designated funds	737,334	545,320
	\$ 3,224,434	\$ 3,353,182

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

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

	2022	2021
Subject to expenditure for specified purpose:		
Exhibit acquisition, maintenance, and restoration	\$ 561,535	\$ 682,319
Endowment funds:		
Subject to appropriation and expenditure when a specified event occurs:		
Available for general use	15,169	13,740
Available for archival preservation & historical papers	71,676	150,712
Subject to NFP endowment spending policy and appropriation:		
General operations	624,965	747,350
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
	\$ 4,527,183	\$ 4,847,959

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

	2022	2021
Purpose restrictions accomplished		
Exhibit acquisition, maintenance, and restoration	\$ 425,544	\$ 109,557
Archival preservation & historical papers	13,741	46,032
	\$ 439,285	\$ 155,589

**NATIONAL MUSEUM OF TRANSPORTATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**(10) Net Assets With Donor Restrictions (Continued)**

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.

**(11) 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:

	2022	2021
Cash and cash equivalents	\$ 408,979	\$ 263,214
Investments	2,187,473	2,313,800
Other receivables	4,353	276,030
Other restricted assets	(561,535)	(682,319)
Endowment restricted assets	(1,080,879)	(1,282,300)
	\$ 958,391	\$ 888,425

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

**(12) Paycheck Protection Program Loan**

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.

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

#### **(13) Non-Cash Investing and Donations**

During the year ended December 31, 2022, the Museum received stock donations that had an estimated fair market value of \$53,443. These donations are recorded in total revenue and support during the year ending December 31, 2022 and were included in board designated funds. There was no donor-imposed restriction.

During the year ended December 31, 2022, the Museum acquired a vehicle with a cost of \$34,280 by issuing a note payable.

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. There was no donor-imposed restrictions on these donations. The exhibit donation and raffle item donation were used for programs in the same fiscal year. The stock donation was included in board designated funds.

#### **(14) Contingencies**

On January 20, 2017, the Museum entered a contract with St. Louis County (the "County") to transfer all 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 provided for the Museum to receive a stipend from the County for five years to assist in the operations of the Museum which ended during 2021. The contract also included provisions that the County would pay or reimburse the Museum for certain repairs and rehabilitation of the property. The Museum has entered legal proceedings with the County regarding reimbursement for funds expended for capital improvements and repairs to the property according to terms of the contract that have not been reimbursed by the County. Due to the uncertainty of the outcome, no receivable has been recorded on the accompanying financial statements related to the claims by the Museum.

The Museum is a party to legal proceedings with a former employee incidental to its business. In the opinion of management and its legal counsel the former employee's claim is without merit and will not have a significant effect on the Museum's financial position or results of operation if disposed of unfavorably.