

*National Museum of  
Industrial History*

*December 31, 2019 and 2018*

*Financial Statements and Independent Auditors' Report*

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**DECEMBER 31, 2019 AND 2018**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
National Museum of Industrial History

**Report of the Financial Statements**

We have audited the accompanying financial statements of National Museum of Industrial History, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Museum's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of National Museum of Industrial History as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Concannon, Miller + Co., P.C.*

Bethlehem, PA  
June 29, 2020

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**  
**(WITH SUMMARIZED TOTALS AS OF DECEMBER 31, 2018)**

	<b>2019</b>		<b>Totals</b>	
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2019</b>	<b>2018</b>
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 231,447	\$ 493,942	\$ 725,389	\$ 91,037
Accounts receivable	1,796		1,796	6,162
Contributions receivable		23,000	23,000	39,795
Grant receivable		12,060	12,060	12,085
Inventory	15,125		15,125	0
Prepaid expenses	4,665		4,665	7,692
Total Current Assets	<u>253,033</u>	<u>529,002</u>	<u>782,035</u>	<u>156,771</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>10,150,560</u>		<u>10,150,560</u>	<u>10,481,465</u>
<b>OTHER ASSETS</b>				
Deposits	6,065		6,065	5,000
Total Assets	<u>\$ 10,409,658</u>	<u>\$ 529,002</u>	<u>\$ 10,938,660</u>	<u>\$ 10,643,236</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES</b>				
Line of credit	\$ 995,000	\$ 0	\$ 995,000	\$ 1,000,000
Accounts payable	50,031		50,031	19,189
Accrued expenses	32,927		32,927	23,093
Total Liabilities	<u>1,077,958</u>	<u>0</u>	<u>1,077,958</u>	<u>1,042,282</u>
<b>NET ASSETS</b>				
Without donor restrictions	9,331,700		9,331,700	9,534,074
With donor restrictions		529,002	529,002	66,880
Total Net Assets	<u>9,331,700</u>	<u>529,002</u>	<u>9,860,702</u>	<u>9,600,954</u>
Total Liabilities and Net Assets	<u>\$ 10,409,658</u>	<u>\$ 529,002</u>	<u>\$ 10,938,660</u>	<u>\$ 10,643,236</u>

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

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 76,037	\$ 15,000	\$ 91,037
Accounts receivable	6,162		6,162
Contributions receivable		39,795	39,795
Grant receivable		12,085	12,085
Prepaid expenses	7,692		7,692
Total Current Assets	<u>89,891</u>	<u>66,880</u>	<u>156,771</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>10,481,465</u>		<u>10,481,465</u>
<b>OTHER ASSETS</b>			
Deposits	5,000		5,000
Total Assets	<u>\$ 10,576,356</u>	<u>\$ 66,880</u>	<u>\$ 10,643,236</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>			
<b>CURRENT LIABILITIES</b>			
Line of credit	\$ 1,000,000	\$ 0	\$ 1,000,000
Accounts payable	19,189		19,189
Accrued expenses	23,093		23,093
Total Liabilities	<u>1,042,282</u>	<u>0</u>	<u>1,042,282</u>
<b>NET ASSETS</b>			
Without donor restrictions	9,534,074		9,534,074
With donor restrictions		66,880	66,880
Total Net Assets	<u>9,534,074</u>	<u>66,880</u>	<u>9,600,954</u>
Total Liabilities and Net Assets	<u>\$ 10,576,356</u>	<u>\$ 66,880</u>	<u>\$ 10,643,236</u>

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

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**  
**(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)**

	2019		Totals	
	Without Donor Restrictions	With Donor Restrictions	2019	2018
<b>SUPPORT</b>				
Contributions	\$ 713,119	\$ 23,000	\$ 736,119	\$ 764,203
Grants	31,734	512,060	543,794	41,428
In-kind contributions	128,818		128,818	102,640
	<u>873,671</u>	<u>535,060</u>	<u>1,408,731</u>	<u>908,271</u>
<b>REVENUE</b>				
Admissions	99,001		99,001	94,469
Membership program	12,315		12,315	9,828
Leadership society	16,000		16,000	15,083
Group tours and educational programs	19,506		19,506	16,852
Fundraising events	177,882		177,882	155,471
Third party events	25,531		25,531	30,049
Merchandise sales, net of cost of goods sold of \$16,994 and \$22,640, respectively	46,093		46,093	15,980
Interest and dividends	20		20	16
Other income	525		525	127
	<u>396,873</u>	<u>0</u>	<u>396,873</u>	<u>337,875</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>72,938</u>	<u>(72,938)</u>	<u>0</u>	<u>0</u>
Total Support and Revenue	<u>1,343,482</u>	<u>462,122</u>	<u>1,805,604</u>	<u>1,246,146</u>
<b>EXPENSES</b>				
Program				
Exhibitions and collections	695,811		695,811	684,904
Public education	248,103		248,103	229,021
Supporting Services				
General and administrative	316,193		316,193	363,084
Fund-raising and development	285,749		285,749	232,993
Total Expenses	<u>1,545,856</u>	<u>0</u>	<u>1,545,856</u>	<u>1,510,002</u>
<b>CHANGES IN NET ASSETS</b>	(202,374)	462,122	259,748	(263,856)
<b>NET ASSETS, JANUARY 1</b>	<u>9,534,074</u>	<u>66,880</u>	<u>9,600,954</u>	<u>9,864,810</u>
<b>NET ASSETS, DECEMBER 31</b>	<u>\$ 9,331,700</u>	<u>\$ 529,002</u>	<u>\$ 9,860,702</u>	<u>\$ 9,600,954</u>

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

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2018**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT</b>			
Contributions	\$ 724,408	\$ 39,795	\$ 764,203
Grant	14,343	27,085	41,428
In-kind contributions	102,640		102,640
	<u>841,391</u>	<u>66,880</u>	<u>908,271</u>
<b>REVENUE</b>			
Admission	94,469		94,469
Membership program	9,828		9,828
Leadership society	15,083		15,083
Group tours and educational programs	16,852		16,852
Fundraising events	155,471		155,471
Third party events	30,049		30,049
Merchandise sales, net of cost of goods sold of \$22,640	15,980		15,980
Interest and dividends	16		16
Other income	127		127
	<u>337,875</u>	<u>0</u>	<u>337,875</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>15,350</u>	<u>(15,350)</u>	<u>0</u>
Total Support and Revenue	<u>1,194,616</u>	<u>51,530</u>	<u>1,246,146</u>
<b>EXPENSES</b>			
Program			
Exhibitions and collections	684,904		684,904
Public education	229,021		229,021
Supporting Services			
General and administrative	363,084		363,084
Fund-raising and development	232,993		232,993
Total Expenses	<u>1,510,002</u>	<u>0</u>	<u>1,510,002</u>
<b>CHANGES IN NET ASSETS</b>	(315,386)	51,530	(263,856)
<b>NET ASSETS, JANUARY 1</b>	<u>9,849,460</u>	<u>15,350</u>	<u>9,864,810</u>
<b>NET ASSETS, DECEMBER 31</b>	<u>\$ 9,534,074</u>	<u>\$ 66,880</u>	<u>\$ 9,600,954</u>

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

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**  
**(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)**

	<b>Program Services</b>			<b>Supporting Services</b>			<b>Total Expenses</b>	
	<b>Exhibitions and Collections</b>	<b>Public Education</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>2019</b>	<b>2018</b>
Salaries	\$ 114,383	\$ 100,758	\$ 215,141	\$ 69,500	\$ 135,000	\$ 204,500	\$ 419,641	\$ 398,507
Employee benefits	9,324	20,939	30,263	38,719	33,746	72,465	102,728	101,606
Payroll taxes	10,293	9,846	20,139	9,253	10,545	19,798	39,937	32,085
Total Salaries and Related Expenses	134,000	131,543	265,543	117,472	179,291	296,763	562,306	532,198
Exhibit storage and conservation	218,314		218,314			0	218,314	218,256
Professional services	429	88	517	29,725	22,675	52,400	52,917	56,019
Occupancy	834	90,410	91,244	30,444		30,444	121,688	133,190
Travel & meetings	2,411	1,572	3,983	441	284	725	4,708	5,761
Depreciation	330,290	10,929	341,219	3,305		3,305	344,524	370,769
Loss on disposal of asset			0	1,918		1,918	1,918	0
Insurance			0	26,869		26,869	26,869	21,415
Interest			0	56,703		56,703	56,703	53,397
Marketing and promotion	1,934	668	2,602	250	54,446	54,696	57,298	49,656
Office expenses	7,347	3,692	11,039	38,749	27,694	66,443	77,482	41,733
Information technology	252	6,100	6,352	10,317	1,142	11,459	17,811	21,064
Program activities		3,101	3,101		217	217	3,318	6,544
Total Expenses	<u>\$ 695,811</u>	<u>\$ 248,103</u>	<u>\$ 943,914</u>	<u>\$ 316,193</u>	<u>\$ 285,749</u>	<u>\$ 601,942</u>	<u>\$ 1,545,856</u>	<u>\$ 1,510,002</u>

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



**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	Program Services			Supporting Services			
	Exhibitions and Collections	Public Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 103,794	\$ 71,525	\$ 175,319	\$ 105,500	\$ 117,688	\$ 223,188	\$ 398,507
Employee benefits	6,160	12,960	19,120	49,708	32,778	82,486	101,606
Payroll taxes	9,150	5,681	14,831	7,953	9,301	17,254	32,085
Total Salaries and Related Expenses	119,104	90,166	209,270	163,161	159,767	322,928	532,198
Exhibit storage and conservation	218,256		218,256			0	218,256
Professional services	725	520	1,245	31,778	22,996	54,774	56,019
Occupancy	6,031	103,750	109,781	23,409		23,409	133,190
Travel & meetings	3,190	2,160	5,350	228	183	411	5,761
Depreciation	330,359	10,929	341,288	29,481		29,481	370,769
Insurance	315		315	21,100		21,100	21,415
Interest			0	53,397		53,397	53,397
Marketing and promotion	4,933	638	5,571	165	43,920	44,085	49,656
Office expenses	788	3,276	4,064	32,360	5,309	37,669	41,733
Information technology	1,203	11,038	12,241	8,005	818	8,823	21,064
Program activities		6,544	6,544			0	6,544
Total Expenses	<u>\$ 684,904</u>	<u>\$ 229,021</u>	<u>\$ 913,925</u>	<u>\$ 363,084</u>	<u>\$ 232,993</u>	<u>\$ 596,077</u>	<u>\$ 1,510,002</u>

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

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 259,748	\$ (263,856)
Adjustment to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	344,524	370,769
Loss on disposal of asset	1,918	0
Changes in operating assets and liabilities		
Accounts receivable	4,366	1,883
Contribution receivable	16,795	(18,975)
Grant receivable	25	(12,085)
Inventory	(15,125)	0
Prepaid expenses	3,027	15,028
Deposits	(1,065)	0
Accounts payable	30,842	(76,083)
Accrued expenses	9,834	(4,010)
Net Cash Provided by Operating Activities	<u>654,889</u>	<u>12,671</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Capital expenditures	<u>(15,537)</u>	<u>(7,584)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	60,000	45,000
Repayments on line of credit	(65,000)	0
Net Cash Provided by (Used in) Financing Activities	<u>(5,000)</u>	<u>45,000</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	634,352	50,087
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>91,037</u>	<u>40,950</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u><u>\$ 725,389</u></u>	<u><u>\$ 91,037</u></u>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

<b>NON CASH OPERATING ACTIVITIES</b>		
In-kind contribution of services	<u>\$ 128,818</u>	<u>\$ 102,640</u>
Interest paid during the year	<u><u>\$ 56,703</u></u>	<u><u>\$ 53,397</u></u>

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

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1      Nature and Purpose of the Organization**

The National Museum of Industrial History (the “Museum”) is a not-for-profit corporation, and an affiliate of the Smithsonian Institution, established to present the story of American industry and to provide the context for its future through exhibits, programs, collections and publications.

The Museum is incorporated under the nonprofit corporation laws of the Commonwealth of Pennsylvania. It is recognized as exempt from federal income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code.

The Museum was constructed on a 100-year-old former Bethlehem Steel facility on the largest private brownstone in America. It consists of over 18,000 square feet of artifacts and exhibits which honor and celebrate America’s rich industrial history. The Museum was first envisioned in the late 1990’s and through the vision of the Board of Directors, the staff and partnerships including the Commonwealth of Pennsylvania and the National Museum of American History, the Museum opened its doors August 2, 2016.

**NOTE 2      Summary of Significant Accounting Policies**

**Basis of Accounting**

The financial statements of the Museum are prepared on the accrual basis of accounting in accordance with FASB ASC 958, *Not-for-Profit Entities*.

**Financial Statement Presentation**

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 restrictions.

**Net Assets With Donor Restrictions** – Net assets subject to donor-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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Cash and Cash Equivalents**

The Museum considers all liquid investments with a maturity of three months or less to be cash or cash equivalents.

**Concentration of Credit Risk**

The Museum may be subject to credit risk on its cash and cash equivalent assets, which are placed with high credit-quality financial institutions. The Federal Deposit Insurance Corporation (“FDIC”) coverage is \$250,000 for all accounts. From time to time, the Museum may have amounts on deposit in excess of the FDIC limits. The Museum had an at risk balance of approximately \$551,000 at December 31, 2019.

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2019 AND 2018**

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

**Contributions Receivable**

Contributions receivable are recorded at their net realizable value if due within one year, and at fair value at date of donation if due in more than one year. The Museum provides an allowance for bad debts equal to management's estimate of losses that will be incurred in the collection of all receivables. The estimated losses are based upon historical collection experience, coupled with a review of the current status of existing accounts. No allowance was considered necessary as of December 31, 2019 and 2018.

**Accounts Receivable**

Accounts receivable represents amounts due from exchange transaction when service is rendered. The Museum reviews all outstanding accounts and determines collectability of its receivables based on past experience with its customers. Credit losses have been minimal and have consistently been within management's expectations. The Museum believes that all accounts receivable at December 31, 2019 and 2018 will be fully collected. Accordingly, no allowance for credit losses is required.

**Property and Equipment**

Donations of property, furniture and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose.

Purchased property, furniture and equipment are carried at cost, less accumulated depreciation. Maintenance and repairs that neither materially add to the value of the property nor appreciably prolong its life are charged to expense. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Related gains or losses from such transactions are credited or charged to income.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years.

**Collections**

In conformity with industry practice, museum artifacts purchased and donated are not recorded in the accompanying statement of financial position. Even though not recorded, the Museum's artifacts and collections represent one of its most valuable assets.

The Museum's collections are made up of artifacts of historical significance and Museum displays that are held for educational, research, scientific and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used for acquisition and direct care of collections.

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2019 AND 2018**

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

**Contributions**

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Revenue Recognition**

**Admissions, Tours and Educational Programs**

The Museum recognizes revenue from admissions, tours and educational programs at the time the patrons visit the Museum or when the programs are held.

**Membership Fees and Leadership Society**

The Museum recognizes revenue from these types of membership activities over the course of the calendar year in which they relate. The Museum has various tiers of such memberships with each successive level providing greater benefits to its members.

**Fundraising Events**

The Museum holds various fundraising events throughout the year with the most significant being the annual gala. Revenue from such events is comprised primarily of sponsorships, admission, and auction sales of donated goods. Revenue from each is recognized upon completion of the event as the related benefits have been transferred to the recipients.

**Third Party Events**

The Museum offers various spaces within the Museum to third parties interested in using these unique spaces to hold their events. Revenue from such events are monitored for potential unrelated business taxable income. All such revenue is recognized at the time the event is held.

**Sales of Merchandise**

The Museum manages a physical and on-line gift shop which sell various items that highlight the collection of the Museum or historical benefits. Revenue from the sale of these items is recognized upon transfer or shipment.

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2019 AND 2018**

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

**Revenue Recognition (Continued)**

The following table shows Museum's revenue disaggregated according to the timing of the transfer of goods or services:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Revenue recognized at a point in time		
Admissions, tours, and educational programs	\$ 118,507	\$ 111,321
Fundraising events	177,882	155,471
Third party events	25,531	30,049
Sale of merchandise, net of cost of goods sold	46,093	15,980
	<u>\$ 368,013</u>	<u>\$ 312,821</u>
Revenue recognized over time		
Membership fees and Leadership Society	<u>\$ 28,315</u>	<u>\$ 24,911</u>

As of December 31, 2019 and 2018, the Museum held no contract assets. Contract liabilities at December 31, 2019 and 2018 consisted solely of deferred revenue of \$1,856 and \$912, respectively, and which are included in accrued expenses on the statement of financial position.

As identified above, the vast majority of the Museum's revenues are recognized at a point in time when the performance obligations are satisfied based upon transfer of control of the product or service to a customer. For merchandise sales, this transfer typically occurs upon either point of sale transfer or upon shipment to the customer. The Museum assesses the sale or service agreement to determine the proper transfer recognition. Generally, payment is received at the point of sale and contracts do not have any financing components.

In the sale of merchandise, the Museum provides shipping services to deliver its products. Shipping and handling costs that occur before the customer obtains control of the goods are deemed to be fulfillment activities and are accounted for as fulfillment costs. The Museum has made an accounting policy election (as permitted under ASU 2016-10, *Identifying Performance Obligations and Licensing*) to recognize any shipping and handling costs that are incurred after the customer obtains control of the goods as fulfillment costs which are accrued at the time of revenue recognition.

**Advertising**

The Museum follows the policy of charging the costs of advertising to expense as incurred. Advertising expense of \$41,027 and \$33,566 is included in the statement of activities for the years ended December 31, 2019 and 2018, respectively.

**Income Taxes**

No provision for income taxes has been made in the financial statements since the Museum is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. However, income from activities not directly related to the Museum's tax-exempt purpose, if any, would be subject to taxation as unrelated business income.

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2019 AND 2018**

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

**Income Taxes (Continued)**

The Museum complies with the guidance in FASB ASC 740, *Income Taxes*. This guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Compliance with FASB ASC 740, *Income Taxes*, did not have a material impact on the Museum's results of operations and financial position.

As of December 31, 2019 and 2018, the Museum had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

**Use of Estimates**

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

**Functional Allocation of Expenses**

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facilities and equipment, depreciation and operating expenses, which are allocated based on the basis of use at each respective owned or leased property, as well as employment costs and contract services which are allocated on the basis of estimates of time and effort.

**NOTE 3      Change in Accounting Principle**

In May 2014, the FASB issued new revenue recognition guidance under Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The guidance provides a single, comprehensive model for recognizing revenue from contracts with customers. The new revenue recognition guidance supersedes existing guidance and requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Museum adopted the new standard effective January 1, 2019 using the modified retrospective transition method, which requires the cumulative effect of adoption, if any, to be recognized as an adjustment to opening retained earnings in the period of adoption.

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

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 3      Change in Accounting Principle (Continued)**

The Museum's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services and admissions. As a result, the Museum did not identify any material differences in the amount and timing of revenue recognition for its revenue streams. Accordingly, the Museum did not record any transition adjustment upon adoption of the new guidance. Based on the Museum's evaluation process and review of its contributions, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard.

**NOTE 4      Liquidity and Availability**

The Museum receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Museum manages its liquidity and reserves following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. The Museum has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity monthly.

Financial assets available for general expenditure within one year of the statement of financial position date, comprise the following:

Cash	\$      231,447
Accounts receivable	1,796
Contributions receivable	23,000
Grants receivable	12,060
	<u>\$      268,303</u>

**NOTE 5      Property and Equipment**

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Building improvements	\$   9,584,913	\$   9,581,437
Land improvements	24,145	12,085
Equipment	100,637	120,758
Exhibit design	1,749,096	1,749,095
	<u>11,458,791</u>	<u>11,463,375</u>
Less accumulated depreciation	1,308,231	981,910
	<u>\$   10,150,560</u>	<u>\$   10,481,465</u>

Depreciation expense was \$344,524 and \$380,768 for the years ended December 31, 2019 and 2018, respectively.



**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 6      Line of Credit**

During 2016, the Museum entered into a revolving line of credit agreement with a bank for borrowings of up to \$1,000,000. Interest on outstanding borrowings is payable monthly at the bank's prime rate plus .5% (6% at December 31, 2019).

As of December 31, 2019 and 2018, the outstanding balance on the line of credit was \$995,000 and \$1,000,000, respectively. The line is secured by the building in which the Museum operates.

**NOTE 7      Net Assets with Donor Restrictions**

Net assets with donor restrictions at December 31, 2019 and 2018 are restricted for the following purposes.

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Contributions restricted for future years	\$ 0	\$ 15,000
Receipt of time restricted contributions	23,000	39,795
Use of purpose restricted grants	506,002	12,085
	<u>\$ 529,002</u>	<u>\$ 66,880</u>

**NOTE 8      In-Kind Contributions**

A number of volunteers have donated significant amounts of their time to the Museum's administrative and program services, and in its fund raising campaigns and events during the year; however, these donated services are not reflected in the financial statements since these services are not professional in nature, and, as such, do not meet the criteria for recognition as contributed services.

Contributed professional services are recognized at fair market value if the services received require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as contributions in-kind are offset by like amounts included in expenses.

The Museum received \$128,818 and \$102,640 of donated professional services for the years ended December 31, 2019 and 2018, respectively

**NOTE 9      Concentrations**

During the years ended December 31, 2019 and 2018, the Museum received approximately \$1,003,000 and \$563,000, respectively, in unrestricted contributions from separate and individual sources, representing 71% and 62%, respectively, of the total annual support for those years.

Contributions receivable at December 31, 2018 included \$10,000, respectively, from one donor, representing 25% of the total in each year. There were no contributions receivable at December 31, 2019.

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 10      Retirement Plan**

The Museum has adopted a defined contribution retirement plan, which is qualified under Section 403(b) of the Internal Revenue Code. The plan covers the Museum's employees. Under the plan, employees may voluntarily contribute a percentage of their pretax compensation to the plan subject to IRS limits, with the Museum contributing an amount equal to 50% of the employee's contribution, up to a maximum of 4%. Contributions were \$5,161 and \$3,605 for the years ended December 31, 2019 and 2018, respectively.

**NOTE 11      Commitments**

The Museum leases its primary storage facility for its collections under an operating lease which expires June 2020. The Museum also leases two additional spaces on a month to month basis. Rent and related occupancy expenses incurred under these leases during the years ended December 31, 2019 and 2018 totaled \$106,592 and \$108,683, respectively.

The Museum also leases office space, which neighbors the site of the museum, which expires March 2021. Rent and related occupancy expenses incurred under these leases during the years ended December 31, 2019 and 2018 totaled \$25,123 and \$24,679, respectively.

Future minimum payments under these lease agreements and in excess of one year are as follows:

2020	\$ 54,240
2021	2,841

**NOTE 12      Related Party Transactions**

For the years ended December 31, 2019 and 2018, the Museum received \$655,185 and \$590,533, respectively, in contributions without donor restrictions from members of the Museum's Board of Directors. There were no contributions receivable from Board members as of December 31, 2019 and 2018.

**NOTE 13      Recent Accounting Pronouncements - Leases**

In February 2016, the FASB issued ASU No. 2017-02, *Leases* (Topic 842), which will supersede current guidance related to accounting for leases. The core principle of this guidance is to increase transparency and comparability among organizations by reorganizing lease assets and liabilities on the balance sheet and disclosing key information. The standard will be effective for annual periods beginning after December 15, 2020 with early adoption permitted. The Museum is currently evaluating the impact of adopting this guidance on its financial statements.

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
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**NOTE 14      Subsequent Events**

The Museum has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 29, 2020, the date the financial statements were available to be issued. Subsequent to December 31, 2019, a global pandemic of the COVID-19 virus caused substantial economic disruption, including a significant decline in the Museum's operating revenue and cash flows. The Company is actively addressing the situation by working with customers and vendors on payment terms, requesting deferral on payments for certain debt and operating obligations, and applying for financial assistance through various government stimulus programs.

While the physical museum has been closed due to the pandemic, two significant factors have supported the Museum's ongoing operations. First, the Museum has been approved for a loan under the Paycheck Protection Program of \$113,197 that will be used to maintain the employees necessary in continuing operations through June 2020. Secondly, significant contributions have continued to be received by board members and other donors which are without donor restrictions and will be used towards operations. These funding sources have been significant enough to permit the Museum to repay \$220,000 of its outstanding line of credit in January 2020.

Management continues to evaluate the impact of the pandemic on operations and does not consider the decline to be permanent.