

AMERICA ON WHEELS, INC.
(A Not-for-Profit Corporation)

**Financial Statements and
Independent Auditor's Report**

December 31, 2020 and 2019

DRAFT

CAMPBELL, RAPPOLD & YURASITS LLP
Certified Public Accountants
1033 South Cedar Crest Boulevard Allentown, PA 18103

AMERICA ON WHEELS, INC.
(A Not-for-Profit Corporation)
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
America on Wheels, Inc.
Allentown, PA

Opinion

We have audited the accompanying financial statements of America On Wheels, Inc. (a not-for-profit corporation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of America On Wheels, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 America On Wheels, Inc. 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 the 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 America On Wheels, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 America on Wheels Inc.'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 America on Wheels Inc.'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 __, 2021

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AMERICA ON WHEELS, INC.
(A Not-for-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
December 31, 2020

	December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$ 58,102	\$ 15,000	\$ 73,102
Prepaid Expenses	7,619	-	7,619
Grants and Pledges Receivable (Note 2)	-	-	-
Inventories	8,713	-	8,713
Investments (Note 3)	411,757	-	411,757
Collections (Notes 1 and 4)	-	-	-
Assets Held for Sale	54,958	-	54,958
Property and Equipment (Note 5)	3,558,773	-	3,558,773
Total Assets	\$ 4,099,922	\$ 15,000	\$ 4,114,922
<u>Liabilities and Net Assets</u>			
Liabilities			
Note Payable (Note 6)	\$ 1,373,782	\$ -	\$ 1,373,782
Accounts and Accruals Payable	410,953	-	410,953
Accrued Payroll	5,405	-	5,405
Total Liabilities	1,790,140	-	1,790,140
Net Assets			
Without Donor Restrictions	2,309,782	-	2,309,782
With Donor Restrictions (Note 7)	-	15,000	15,000
Total Net Assets	2,309,782	15,000	2,324,782
Total Liabilities and Net Assets	\$ 4,099,922	\$ 15,000	\$ 4,114,922

See independent auditor's report and notes to financial statements.

AMERICA ON WHEELS, INC.
(A Not-for-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
December 31, 2019

	December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$ 69,499	\$ -	\$ 69,499
Prepaid Expenses	4,182	-	4,182
Grants and Pledges Receivable (Note 2)	12,300	15,000	27,300
Inventories	14,292	-	14,292
Investments (Note 3)	392,686	-	392,686
Collections (Notes 1 and 4)	-	-	-
Assets Held for Sale	61,958	-	61,958
Property and Equipment (Note 5)	3,707,083	-	3,707,083
Total Assets	\$ 4,262,000	\$ 15,000	\$ 4,277,000
<u>Liabilities and Net Assets</u>			
Liabilities			
Note Payable (Note 6)	\$ 1,373,782	\$ -	\$ 1,373,782
Accounts and Accruals Payable	370,655	-	370,655
Accrued Payroll	5,567	-	5,567
Total Liabilities	1,750,004	-	1,750,004
Net Assets			
Without Donor Restrictions	2,511,996	-	2,511,996
With Donor Restrictions (Note 7)	-	15,000	15,000
Total Net Assets	2,511,996	15,000	2,526,996
Total Liabilities and Net Assets	\$ 4,262,000	\$ 15,000	\$ 4,277,000

See independent auditor's report and notes to financial statements.

AMERICA ON WHEELS, INC.
(A Not-for-Profit Corporation)
STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

	Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains and Other Support			
Contributions and Grants	\$ 230,785	\$ -	\$ 230,785
In-Kind Contributions	28,000	-	28,000
In-Kind Contributions - Rent	534,599	-	534,599
Operating Revenues:			
Admissions	36,950	-	36,950
Facility Rentals	6,877	-	6,877
Museum Shop	5,738	-	5,738
Catering Fees	-	-	-
HubCap Café	86	-	86
Special Events	7,495	-	7,495
Miscellaneous	9	-	9
Net Assets Released from Restriction:			
Satisfaction of Use Restrictions	-	-	-
Operating Revenues, Gains and Other Support	850,539	-	850,539
Operating Expenses			
Program Services	572,345	-	572,345
Management and General	228,620	-	228,620
Fund Raising	66,622	-	66,622
Total Operating Expenses	867,587	-	867,587
Decrease in Net Assets from Operating Activities	(17,048)	-	(17,048)
Non-Operating Income (Expenses):			
Investment Income, Net of Fees of \$1,590	16,968	-	16,968
Net Realized/Unrealized Gain on Investments	2,105	-	2,105
Net Loss on Sale of Assets	(31,700)	-	(31,700)
Interest Expense	(41,203)	-	(41,203)
Rental Income	16,974	-	16,974
Depreciation	(148,310)	-	(148,310)
Decrease in Net Assets from Non-Operating Activities	(185,166)	-	(185,166)
Decrease in Net Assets	(202,214)	-	(202,214)
Net Assets at Beginning of Year	2,511,996	15,000	2,526,996
Net Assets at End of Year	\$ 2,309,782	\$ 15,000	\$ 2,324,782

See independent auditor's report and notes to financial statements.

AMERICA ON WHEELS, INC.
(A Not-for-Profit Corporation)
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

	Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains and Other Support			
Contributions and Grants	\$ 210,896	\$ 15,000	\$ 225,896
In-Kind Contributions	47,141	-	47,141
In-Kind Contributions - Rent	534,599	-	534,599
Operating Revenues:			
Admissions	91,867	-	91,867
Facility Rentals	29,657	-	29,657
Museum Shop	22,780	-	22,780
Catering Fees	688	-	688
HubCap Café	2,637	-	2,637
Special Events	4,020	-	4,020
Miscellaneous	12	-	12
Net Assets Released from Restriction:			
Satisfaction of Use Restrictions	-	-	-
Operating Revenues, Gains and Other Support	944,297	15,000	959,297
Operating Expenses			
Program Services	644,303	-	644,303
Management and General	283,685	-	283,685
Fund Raising	92,539	-	92,539
Total Operating Expenses	1,020,527	-	1,020,527
Increase (Decrease) in Net Assets from Operating Activities	(76,230)	15,000	(61,230)
Non-Operating Income (Expenses):			
Investment Income, Net of Fees of \$1,512	9,630	-	9,630
Net Realized/Unrealized Gain on Investments	34,298	-	34,298
Net Loss on Sale of Assets	(13,500)	-	(13,500)
Interest Expense	(41,203)	-	(41,203)
Rental Income	16,974	-	16,974
Depreciation	(148,423)	-	(148,423)
Decrease in Net Assets from Non-Operating Activities	(142,224)	-	(142,224)
Increase (Decrease) in Net Assets	(218,454)	15,000	(203,454)
Net Assets at Beginning of Year	2,730,450	-	2,730,450
Net Assets at End of Year	\$ 2,511,996	\$ 15,000	\$ 2,526,996

See independent auditor's report and notes to financial statements.

AMERICA ON WHEELS, INC.
(A Not-for-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	Year Ended December 31, 2020			
	Program Services	Management and General	Fund Raising	Total 2020
Salaries and Related Benefits	\$ 29,357	\$ 49,181	\$ 49,069	\$ 127,607
Advertising	-	-	-	-
Bank Fees	-	4,103	-	4,103
Equipment Maintenance and Rent	2,598	742	371	3,711
Insurance	35,527	-	-	35,527
Meals	-	-	-	-
Membership Dues	-	1,004	-	1,004
Miscellaneous	3,643	-	-	3,643
Office Supplies and Expense	2,410	688	344	3,442
Postage	259	65	967	1,291
Professional Fees	-	13,210	-	13,210
Public Relations and Marketing	10,725	-	2,681	13,406
Publications/Subscriptions	-	-	-	-
Occupancy	464,305	154,768	-	619,073
Contractual Services	13,383	3,824	1,913	19,120
Telephone	3,105	1,035	6,206	10,346
Transportation	-	-	-	-
Conferences, Conventions and Meetings	1,161	-	-	1,161
Design Fees	300	-	-	300
HubCap Café Rental Expenses	120	-	-	120
Museum Rental Expenses	-	-	-	-
Museum Shop Supplies	5,452	-	-	5,452
Direct Special Events Expenses	-	-	5,071	5,071
Travel and Lodging	-	-	-	-
Total Operating Expenses	\$ 572,345	\$ 228,620	\$ 66,622	\$ 867,587
Interest	41,203	-	-	41,203
Depreciation	148,310	-	-	148,310
Total Expenses	\$ 761,858	\$ 228,620	\$ 66,622	\$ 1,057,100

See independent auditor's report and notes to financial statements.

AMERICA ON WHEELS, INC.
(A Not-for-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	Year Ended December 31, 2019			
	Program Services	Management and General	Fund Raising	Total 2019
Salaries and Related Benefits	\$ 44,291	\$ 79,739	\$ 73,782	\$ 197,812
Advertising	-	-	-	-
Bank Fees	-	6,664	-	6,664
Equipment Maintenance and Rent	6,575	1,878	939	9,392
Insurance	32,668	-	-	32,668
Meals	-	32	-	32
Membership Dues	-	565	-	565
Miscellaneous	290	-	-	290
Office Supplies and Expense	3,765	1,076	538	5,379
Postage	340	84	1,273	1,697
Professional Fees	-	23,330	-	23,330
Public Relations and Marketing	16,826	-	4,206	21,032
Publications/Subscriptions	-	17	-	17
Occupancy	503,842	167,947	-	671,789
Contractual Services	4,441	1,270	635	6,346
Telephone	3,250	1,083	6,497	10,830
Transportation	2,700	-	-	2,700
Conferences, Conventions and Meetings	3,299	-	-	3,299
Design Fees	7,356	-	-	7,356
HubCap Café Rental Expenses	996	-	-	996
Museum Rental Expenses	-	-	-	-
Museum Shop Supplies	13,293	-	-	13,293
Direct Special Events Expenses	-	-	4,669	4,669
Travel and Lodging	371	-	-	371
Total Operating Expenses	\$ 644,303	\$ 283,685	\$ 92,539	\$ 1,020,527
Interest	41,203	-	-	41,203
Depreciation	148,423	-	-	148,423
Total Expenses	\$ 833,929	\$ 283,685	\$ 92,539	\$ 1,210,153

See independent auditor's report and notes to financial statements.

AMERICA ON WHEELS, INC.
(A Not-for-Profit Corporation)
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash Flows from Operating Activities		
Decrease in Net Assets	\$ (202,214)	\$ (203,454)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	148,310	148,423
Realized/Unrealized Investment Gains	(2,105)	(34,298)
Loss on Sale of Assets	31,700	13,500
Donation of Asset Held for Sale	(28,000)	(26,958)
(Increase) Decrease in Assets:		
Prepaid Expenses	(3,437)	(116)
Grants and Pledges Receivable	27,300	(12,400)
Inventories	5,579	1,092
Increase (Decrease) in Liabilities:		
Accounts and Accruals Payable	40,298	47,598
Accrued Payroll Tax Liabilities	(162)	(784)
Net Cash Provided (Used) by Operating Activities	<u>17,269</u>	<u>(67,397)</u>
Cash Flows from Investing Activities		
Purchase of Investments	(16,966)	(9,576)
Proceeds From Sale of Asset	3,300	6,500
Purchase of Property and Equipment	-	-
Net Cash Used by Investing Activities	<u>(13,666)</u>	<u>(3,076)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,603	(70,473)
Cash and Cash Equivalents - Beginning of Year	69,499	139,972
Cash and Cash Equivalents - End of Year	<u>\$ 73,102</u>	<u>\$ 69,499</u>
Non Cash Investing and Financing Activities:		
In-Kind Contributions	<u>\$ 562,599</u>	<u>\$ 581,740</u>

See independent auditor's report and notes to financial statements.

AMERICA ON WHEELS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

America on Wheels, Inc. (the "Organization") is a not-for-profit corporation organized under the laws of the Commonwealth of Pennsylvania and was established to preserve, collect, and exhibit a variety of artifacts, documents, and items pertaining to over-the-road transportation.

Basis of 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 or certain grantor restrictions. Net assets without donor restrictions may be designated for specific purposes by the action of the Board of Directors.

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. 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.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Risk

The Organization maintains cash balances which may exceed federally insured limits. It historically has not experienced any credit related losses.

AMERICA ON WHEELS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Operating Measure

The Organization includes all changes in Net Assets Without Donor Restrictions in its "operating income" on the Statement of Activities except:

- Investment Income
- Net Realized/Unrealized Gain (Loss) on Investments
- Net Gain (Loss) on Sale of Assets
- Interest Expense
- Rental Income
- Depreciation

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Organization considers cash on hand and cash in savings and checking as cash and cash equivalents. Cash held for investment purposes is not considered a cash equivalent for the Statement of Cash Flows.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market, and reflect items in the Organization's gift shop available for purchase by the public.

Investments

Investments are carried at fair value, and realized and unrealized gains and losses are reflected in the Statement of Activities. The Organization invests donor restricted cash in money market funds until such time as it is reinvested in long-term investments.

Collections

The collections, which were acquired through purchases and contributions since the Organization's inception, are not recognized as assets on the Statement of Financial Position. Each of the items are cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from de-accessions or insurance recoveries are reflected as increases in the appropriate net asset classes and used to purchase new collection items.

Assets Held for Sale

Assets held for sale consist of donated vehicles which are expected to be sold within a year of acquisition. The vehicles are recorded at expected resale price.

AMERICA ON WHEELS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Property and Equipment

Purchased fixtures and equipment with a value greater than \$500 are capitalized and are valued at cost. Donated assets are recorded at fair market value when received. Fixtures and equipment are being depreciated on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 50 years. The cost of maintenance and repairs is charged to operations as incurred.

Donor Restrictions

The Organization reports gifts of cash and other assets as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying financial statements.

Functional Expense Classification

Directly identifiable expenses are charged to program services, management and general and fund raising. Expenses related to more than one function are charged to program services, management and general, and fund raising through estimates by management based upon prior experience and current year activities.

Income Taxes

The Organization is exempt from federal income taxes under the provision of section 501 (c)(3) of the Internal Revenue Code.

Uncertain tax positions are evaluated in accordance with FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. FASB ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in the Organization's financial statements and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. FASB ASC 740-10 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure. The Organization had no material unrecognized tax benefits or accrued interest or penalties.

The Organization files its 990 with the United States Internal Revenue Service and with the Bureau of Charitable Organizations in Pennsylvania. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2017.

AMERICA ON WHEELS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Donations

Donations of property and equipment are recorded at estimated fair value at the date of donation and are included in contributions. The Organization recognizes donations without restrictions as received. Donations with donor-imposed restrictions that are met in the current reporting period are reported as contributions without restrictions.

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with its programs.

Revenue Recognition

The Organization recognizes revenues from grants, contributions, investment income, and rental income, that are outside the scope of ASC 606. The Organization's revenue streams are accounted for in the following segments:

- **Museum Admissions/Tours and Gift Shop Sales** – The Organization provides admissions and tours for visitors to enter the museum. The Organization additionally has a gift shop located inside the museum where visitors can purchase souvenirs once their visit is over. All sales are performed through a POS system at the time of transaction, and therefore revenue is recognized in the period earned.
- **Rental Income/Catering Fees** – The Organization allows for clients the ability to rent out either the museum or individual rooms inside of the museum. The museum also provides catering fees for clients that wish to have food options while renting out space. The amounts are collected once the space has been rented out and the services have been performed, therefore revenue is recognized in the period earned.

Recently Adopted Accounting Pronouncements

During 2020, the Organization adopted No. 2018-13, Fair Value Measurements (Topic 820), which provides for changes to the disclosure requirements for recurring and nonrecurring fair value measurements under Topic 820, including changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty.

AMERICA ON WHEELS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Accounting for Paycheck Protection Program (PPP)

The Organization may account for a Paycheck Protection Program (PPP) loan as financial liability in accordance with FASB ASC Topic 470, *Debt*, or under other models, if certain conditions are met. If the Organization expects to meet the PPP's eligibility criteria and concludes that the PPP loan represents, in substance, a grant that is expected to be forgiven, the Organization may account for the PPP loan in accordance with ASC Subtopic 958-605 as a conditional contribution. Management believes that, based on evaluation of the facts and circumstances specific to the Organization, eligibility criteria will be met and that the Organization will qualify for full forgiveness. Therefore, the Organization elected the conditional contribution method. Under this method, once there is a reasonable assurance that the conditions for forgiveness will be met, the earnings impact of the government grants are recorded on a systematic basis over the period in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. On April 14, 2020 the Organization received \$40,100 under the Paycheck Protection Program. During the year ended December 31, 2020, the Organization recognized government grant revenue in the amount of \$40,100 in relation to the Paycheck Protection Program. The grant income is included with contributions and grants on the Statement of Changes in Net Assets Without Donor Restrictions from Operations. In October 2020, the Organization received forgiveness of the PPP Loan.

2. Grants and Pledges Receivable

Grants and pledges receivable consist of:

	2020	2019
Grants and Pledges Receivable	\$ -	\$ 27,300
Less: Unamortized Discount	-	-
Subtotal	-	-
Allowance for Doubtful Accounts	-	-
Net Grants and Pledges Receivable	<u>\$ -</u>	<u>\$ 27,300</u>
Amounts Due in:		
Less than One Year	<u>\$ -</u>	

3. Fair Value Measurements

Financial Accounting Standards Board ASC 820-10 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

AMERICA ON WHEELS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

3. Fair Value Measurements (Continued)

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable, are significant to the fair value measurement and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Investments classified within Level 3 whose fair value measurements consider several inputs may include Level 1 and/or Level 2 inputs as components of the overall fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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, 2020 and 2019.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

AMERICA ON WHEELS, INC.
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3. Fair Value Measurements (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2020 and 2019:

Assets at Fair Value as of December 31				
	Level 1	Level 2	Level 3	Total
2020				
Cash and Cash Equivalents	\$ 36,206	\$ -	\$ -	\$ 36,206
Mutual Funds				
Bond Funds	267,102	-	-	267,102
Large Value	84,404	-	-	84,404
Mid Cap Value	24,045	-	-	24,045
Total Assets at Fair Value	<u>\$ 411,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 411,757</u>
Assets at Fair Value as of December 31				
	Level 1	Level 2	Level 3	Total
2019				
Cash and Cash Equivalents	\$ 19,241	\$ -	\$ -	\$ 19,241
Mutual Funds				
Bond Funds	260,062	-	-	260,062
Large Value	85,630	-	-	85,630
Mid Cap Value	27,753	-	-	27,753
Total Assets at Fair Value	<u>\$ 392,686</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 392,686</u>

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4. Collections

Additions to and the cost of the collections and year-end balances at December 31, 2020 and 2019 are as follows:

	2020	2019
Purchases	\$ -	\$ -
Contributions	-	-
Sales	-	-
Collections, at Cost	984,130	984,130

5. Property and Equipment

Property and equipment consists of:

	2020	2019
Land Improvements	\$ 37,477	\$ 37,477
Office Equipment	57,587	57,587
Display Fixtures	1,160,032	1,160,032
Museum Furniture	7,434	7,434
Leasehold Improvements	4,580,681	4,580,681
Construction in Progress	-	-
	5,843,211	5,843,211
Less: Accumulated Depreciation	(2,284,438)	(2,136,128)
	<u>\$ 3,558,773</u>	<u>\$ 3,707,083</u>

Depreciation charged to expense was \$148,310 and \$148,423 for 2020 and 2019, respectively.

6. Note Payable

Note payable consists of:

	2020	2019
\$2,746,844 Loan Held by ACMC Lender LLC.	\$ 1,373,782	\$ 1,373,782
	<u>\$ 1,373,782</u>	<u>\$ 1,373,782</u>

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6. Note Payable (Continued)

The Loan was purchased by APMC Lender LLC (the "Lender") during May 2016. The loan balance included outstanding principal of \$2,746,844 and accrued interest of \$381,471 at the date of purchase. The Organization signed a Forbearance Agreement which, upon execution of the agreement on July 27, 2017, one-half of the loan principal and accrued interest, as of June 1, 2016, in the amount of \$1,564,157 was forgiven. With the forbearance agreement, the loan is now due and owed to the Lender. The forbearance period commences June 1, 2016 until the earlier of May 31, 2019, the occurrence of an event default, or the date on which the Organization receives funding from an alternate financing source. During the forbearance period, no repayments of principal or interest are required, however, interest will accrue at an annual rate of 3.00% on the principal portion of the note. The Lender now holds perfected security interests and liens upon all collateral from the original mortgage with the Bank. The Forbearance Agreement was extended for one year during November 2020 and is now due on May 31, 2022. As of December, 2020 and 2019 the balance of accrued interest recorded in accrued payable on the Statement of Financial Position was \$397,681 and \$338,478, respectively.

Interest paid was \$-0- during 2020 and 2019.

7. Net Assets with Donor Restrictions

During 2006 America On Wheels, Inc. received \$2,808,174 from the American Truck Foundation as seed money for an Endowment Fund. Under a subsequent agreement with the American Truck Foundation, funds that have been borrowed from Endowment were allowed to become a permanent transfer to the operating fund. As of December 31, 2014, \$2,331,399 was transferred to the operating fund. During 2018 the American Truck Foundation released all restrictions on the remaining funds. Net assets with donor restrictions as of December 31, 2020 and 2019 consist of \$15,000 for capital improvements.

8. Endowment Funds

The Organization's endowment consists of funds established for the purpose of supporting programs and services of the Organization. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization follows Commonwealth of Pennsylvania law and its own governing documents with respect to the management of endowment funds. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable.

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8. Endowment Funds (Continued)

Interpretation of Relevant Law (Continued)

As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Endowment Return Objectives, Risk Parameters and Strategies

The primary goal of the investment policy is to meet the short and long-term needs and goals of the Organization while carefully controlling risk. Basic to the process is the establishment of mutually agreed upon objectives and the development of an investment program designed to meet those needs. Preservation of capital and a stable level of current income are foremost in the fixed income strategy. The portfolio is invested in corporate bonds, U.S. Government securities, and mutual funds; plus liquidity as the primary objective and goals. To achieve these goals, the Organization closely follows the bond market and constantly reviews the yield curve to determine the best mix of maturities to protect the principal value and to realize the highest level of income.

Spending Policy

The Organization is permitted to spend the earnings of the fund annually, which is defined as the interest and dividends earned in the period. As needed, the Organization transfers quarterly a portion of earnings on the board-designated endowment to operations and reports as investment income in the net asset without donor restrictions class.

Endowment Net Asset Composition as of December 31, 2020 and 2019 is as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment	\$ 411,757	\$ -	\$ 411,757
	<u>\$ 411,757</u>	<u>\$ -</u>	<u>\$ 411,757</u>

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8. Endowment Funds (Continued)

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment	\$ 392,686	\$ -	\$ 392,686
	<u>\$ 392,686</u>	<u>\$ -</u>	<u>\$ 392,686</u>

Changes in endowment net assets as of December 31, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at January 1, 2020	\$ 392,686	\$ -	\$ 392,686
Gifts and Contributions	-	-	-
Investment Income (Net of Expense)	16,966	-	16,966
Net Appreciation	2,105	-	2,105
Amounts Released for Operations	-	-	-
Balance at December 31, 2020	<u>\$ 411,757</u>	<u>\$ -</u>	<u>\$ 411,757</u>

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at January 1, 2019	\$ 348,812	\$ -	\$ 348,812
Gifts and Contributions	-	-	-
Investment Income (Net of Expense)	9,576	-	9,576
Net Appreciation	34,298	-	34,298
Amounts Released for Operations	-	-	-
Balance at December 31, 2019	<u>\$ 392,686</u>	<u>\$ -</u>	<u>\$ 392,686</u>

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9. Museum Facility Project

During 2007 design development and construction documentation was finalized for the America on Wheels, Inc., museum facility located at 5 North Front Street in Allentown, Pennsylvania. The construction phase began in October 2007 and the building was completed by April 2008 at which time it opened the facility for public use. Total project costs were approximately \$17,000,000. Of this amount, \$7,000,000 was raised from a Redevelopment Assistance Capital Program grant and \$5,381,722 from a Transportation Enhancement Act (TEA-21) grant.

The costs of construction associated with the Redevelopment Assistance Capital Program (RACP) and the Transportation Enhancement Act (TEA) grants are carried as an asset on the financial statements of Allentown Economic Development Authority at a value of \$9,828,706 at December 31, 2020. Any design/construction costs paid with America On Wheels, Inc. funds are reflected on its Statement of Financial Position as leasehold improvements.

10. Leases

The Organization has entered into an operating lease with Allentown Economic Development Authority to lease land located at 5 North Front Street, Allentown, Pennsylvania which is the site of the museum. Annual lease rental will be \$1.00 per year for a term of twenty-five years effective April 2008. The Organization may renew the lease for two additional terms of twenty-five years beyond each expiration date, provided that the rent for each renewal term shall be mutually agreed upon by both parties. The difference between a market rental amount and the \$1.00 paid is recorded as a gift-in-kind from the landlord and as rental expense of the Organization. In-kind rental income and expense for 2020 and 2019 was \$534,599.

The Organization has a 63-month lease for a copier, which requires monthly payments of \$199 and expires in March, 2026. Rent expense paid for the copier during 2020 was \$2,511. Future minimum payments are as follows:

For the years ending December 31:

2021	\$ 2,391
2022	2,391
2023	2,391
2024	2,391
2025	2,391
Thereafter	<u>598</u>
	<u>\$ 12,553</u>

The Organization subleases 800 square feet of office space to another organization. The lease agreement expires December 31, 2021. Future minimum payments are as follows:

For the years ending December 31:

2021	<u>\$ 18,008</u>
	<u>\$ 18,008</u>

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11. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date, comprise the following:

	2020	2019
Cash and Cash Equivalents	\$ 58,102	\$ 69,499
Grants and Pledges Receivables	-	12,300
	<u>\$ 58,102</u>	<u>\$ 81,799</u>

The Organization is mainly supported by admissions, rentals, and contributions. The Organization believes these funding sources are sufficient to enable the Organization to continue to operate for the upcoming year.

Although the Organization does not intend to spend from the \$411,757 board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available, if necessary.

12. Subsequent Events

The Organization's management has considered events subsequent to December 31, 2020 that affect the Organization through November __, 2021 the date on which the financial statements were available to be issued and has determined that no material subsequent events exist that require disclosure, except as noted below.

During 2020, The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. Specific to the Organization, COVID-19 may impact various parts of its 2021 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still occurring.

On January 20, 2021, the Organization was granted a loan of \$40,000 pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The loan was forgiven in full on October 25, 2021.

The Organization signed a Forbearance Agreement which, upon execution of the agreement on February 1, 2021, \$400,000 of the loan principal was forgiven. Also, as part of the Agreement the due date was extended for one year and is now due on May 31, 2023.



2023 Tourism Development Grant Application

Application deadline is on or before Friday, April 22, 2022 by 4:00 p.m.

Applications may be uploaded to the Lehigh County website, emailed to lccommdev@lehighcounty.org, or mailed to the following address:

Virginia Haas, Community Revitalization and Development Manager
Room 519, Office of Community and Economic Development
Lehigh County Government Center
17 South Seventh Street
Allentown, PA 18101-2401