

*National Museum of  
Industrial History*

*December 31, 2020 and 2019*

*Financial Statements and Independent Auditor's Report*

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**DECEMBER 31, 2020 AND 2019**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
National Museum of Industrial History

### **Opinion**

We have audited the accompany financial statements of National Museum of Industrial History, (a not-for-profit corporation), which comprise the statements of financial position as of December 31, 2020 and 2019, and 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 National Museum of Industrial History (“Museum”) 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 the Museum 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 the Museum’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 Audits 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 audits.
- 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 the Museum'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 the Museum'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 audits.

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

Bethlehem, PA  
June 28, 2021

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2020**  
**(WITH SUMMARIZED TOTALS AS OF DECEMBER 31, 2019)**

	<b>2020</b>		<b>Totals</b>	
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2020</b>	<b>2019</b>
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 0	\$ 467,458	\$ 467,458	\$ 725,389
Accounts receivable	2,500		2,500	1,796
Contributions receivable		1,666	1,666	23,000
Grant receivable		30,941	30,941	12,060
Inventory	22,477		22,477	15,125
Prepaid expenses	19,112		19,112	4,665
Total Current Assets	<u>44,089</u>	<u>500,065</u>	<u>544,154</u>	<u>782,035</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>10,140,370</u>		<u>10,140,370</u>	<u>10,150,560</u>
<b>OTHER ASSETS</b>				
Deposits	6,065		6,065	6,065
Total Assets	<u>\$ 10,190,524</u>	<u>\$ 500,065</u>	<u>\$ 10,690,589</u>	<u>\$ 10,938,660</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES</b>				
Cash overdraft	\$ 63,507		\$ 63,507	\$ 0
Line of credit	778,500		778,500	995,000
Term debt, net of current portion	113,197		113,197	0
Accounts payable	2,673		2,673	50,031
Accrued expenses	16,019		16,019	32,927
Total Current Liabilities	<u>973,896</u>	<u>0</u>	<u>973,896</u>	<u>1,077,958</u>
<b>TERM DEBT, NET OF CURRENT PORTION</b>	<u>149,900</u>		<u>149,900</u>	<u>0</u>
Total Liabilities	<u>1,123,796</u>	<u>0</u>	<u>1,123,796</u>	<u>1,077,958</u>
<b>NET ASSETS</b>				
Without donor restrictions	9,066,728		9,066,728	9,331,700
With donor restrictions		500,065	500,065	529,002
Total Net Assets	<u>9,066,728</u>	<u>500,065</u>	<u>9,566,793</u>	<u>9,860,702</u>
Total Liabilities and Net Assets	<u>\$ 10,190,524</u>	<u>\$ 500,065</u>	<u>\$ 10,690,589</u>	<u>\$ 10,938,660</u>

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

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**

<b><u>ASSETS</u></b>	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 231,447	\$ 493,942	\$ 725,389
Accounts receivable	1,796		1,796
Contributions receivable		23,000	23,000
Grant receivable		12,060	12,060
Inventory	15,125		15,125
Prepaid expenses	4,665		4,665
Total Current Assets	<u>253,033</u>	<u>529,002</u>	<u>782,035</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>10,150,560</u>		<u>10,150,560</u>
<b>OTHER ASSETS</b>			
Deposits	6,065		6,065
Total Assets	<u>\$ 10,409,658</u>	<u>\$ 529,002</u>	<u>\$ 10,938,660</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>			
<b>CURRENT LIABILITIES</b>			
Line of credit	\$ 995,000	\$ 0	\$ 995,000
Accounts payable	50,031		50,031
Accrued expenses	32,927		32,927
Total Liabilities	<u>1,077,958</u>	<u>0</u>	<u>1,077,958</u>
<b>NET ASSETS</b>			
Without donor restrictions	9,331,700		9,331,700
With donor restrictions		529,002	529,002
Total Net Assets	<u>9,331,700</u>	<u>529,002</u>	<u>9,860,702</u>
Total Liabilities and Net Assets	<u>\$ 10,409,658</u>	<u>\$ 529,002</u>	<u>\$ 10,938,660</u>

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

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2020**  
**(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)**

	<b>2020</b>		<b>Totals</b>	
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2020</b>	<b>2019</b>
<b>SUPPORT</b>				
Contributions and grants	\$ 1,050,954	\$ 48,724	\$ 1,099,678	\$ 1,279,913
In-kind contributions	96,466		96,466	128,818
	<u>1,147,420</u>	<u>48,724</u>	<u>1,196,144</u>	<u>1,408,731</u>
<b>REVENUE</b>				
Admissions	37,440		37,440	99,001
Membership program	5,694		5,694	12,315
Leadership society	10,500		10,500	16,000
Group tours and educational programs	6,251		6,251	19,506
Fundraising events	4,766		4,766	177,882
Third party events	200		200	25,531
Merchandise sales, net of cost of goods sold of \$9,901 and \$16,994, respectively	7,903		7,903	46,093
Interest and dividends	23		23	20
Other income	15,745		15,745	525
	<u>88,522</u>	<u>0</u>	<u>88,522</u>	<u>396,873</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
	77,661	(77,661)	0	0
Total Support and Revenue	<u>1,313,603</u>	<u>(28,937)</u>	<u>1,284,666</u>	<u>1,805,604</u>
<b>EXPENSES</b>				
Program				
Exhibitions and collections	909,330		909,330	695,811
Public education	187,025		187,025	248,103
Supporting Services				
General and administrative	294,170		294,170	316,193
Fund-raising and development	188,050		188,050	285,749
Total Expenses	<u>1,578,575</u>	<u>0</u>	<u>1,578,575</u>	<u>1,545,856</u>
<b>CHANGES IN NET ASSETS</b>	(264,972)	(28,937)	(293,909)	259,748
<b>NET ASSETS, JANUARY 1</b>	<u>9,331,700</u>	<u>529,002</u>	<u>9,860,702</u>	<u>9,600,954</u>
<b>NET ASSETS, DECEMBER 31</b>	<u>\$ 9,066,728</u>	<u>\$ 500,065</u>	<u>\$ 9,566,793</u>	<u>\$ 9,860,702</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**

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b>SUPPORT</b>			
Contributions and grants	\$ 744,853	\$ 535,060	\$ 1,279,913
In-kind contributions	128,818		128,818
	<u>873,671</u>	<u>535,060</u>	<u>1,408,731</u>
<b>REVENUE</b>			
Admission	99,001		99,001
Membership program	12,315		12,315
Leadership society	16,000		16,000
Group tours and educational programs	19,506		19,506
Fundraising events	177,882		177,882
Third party events	25,531		25,531
Merchandise sales, net of cost of goods sold of \$16,994	46,093		46,093
Interest and dividends	20		20
Other income	525		525
	<u>396,873</u>	<u>0</u>	<u>396,873</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
	72,938	(72,938)	0
Total Support and Revenue	<u>1,343,482</u>	<u>462,122</u>	<u>1,805,604</u>
<b>EXPENSES</b>			
Program			
Exhibitions and collections	695,811		695,811
Public education	248,103		248,103
Supporting Services			
General and administrative	316,193		316,193
Fund-raising and development	285,749		285,749
Total Expenses	<u>1,545,856</u>	<u>0</u>	<u>1,545,856</u>
<b>CHANGES IN NET ASSETS</b>	(202,374)	462,122	259,748
<b>NET ASSETS, JANUARY 1</b>	<u>9,534,074</u>	<u>66,880</u>	<u>9,600,954</u>
<b>NET ASSETS, DECEMBER 31</b>	<u>\$ 9,331,700</u>	<u>\$ 529,002</u>	<u>\$ 9,860,702</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, 2020**  
**(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)**

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expenses</u>	
	<u>Exhibitions and Collections</u>	<u>Public Education</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>2020</u>	<u>2019</u>
Salaries	\$ 112,625	\$ 63,554	\$ 176,179	\$ 83,550	\$ 123,417	\$ 206,967	\$ 383,146	\$ 419,641
Employee benefits	11,920	13,694	25,614	39,771	34,498	74,269	99,883	102,728
Payroll taxes	10,679	6,543	17,222	6,350	10,746	17,096	34,318	39,937
Total Salaries and Related Expenses	135,224	83,791	219,015	129,671	168,661	298,332	517,347	562,306
Exhibit storage and conservation	435,170		435,170			0	435,170	218,314
Professional services		2,783	2,783	24,775	2,464	27,239	30,022	52,917
Occupancy	111	66,574	66,685	33,461		33,461	100,146	121,688
Travel & meetings	2,116	116	2,232	20		20	2,252	4,708
Depreciation	335,128	10,929	346,057			0	346,057	344,524
Loss on disposal of asset			0			0	0	1,918
Insurance	315		315	28,653		28,653	28,968	26,869
Interest			0	36,214		36,214	36,214	56,703
Marketing and promotion	284	1,080	1,364		7,894	7,894	9,258	57,298
Office expenses	604	4,158	4,762	26,870	1,919	28,789	33,551	77,482
Information technology	378	15,016	15,394	14,506	7,112	21,618	37,012	17,811
Program activities		2,578	2,578			0	2,578	3,318
Total Expenses	\$ 909,330	\$ 187,025	\$ 1,096,355	\$ 294,170	\$ 188,050	\$ 482,220	\$ 1,578,575	\$ 1,545,856

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**

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

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

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

	<b>Years Ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (293,909)	\$ 259,748
Adjustment to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	346,057	344,524
Loss on disposal of asset	0	1,918
Changes in operating assets and liabilities		
Accounts receivable	(704)	4,366
Contribution receivable	21,334	16,795
Grant receivable	(18,881)	25
Inventory	(7,352)	(15,125)
Prepaid expenses	(14,447)	3,027
Deposits	0	(1,065)
Cash overdraft	63,507	0
Accounts payable	(47,358)	30,842
Accrued expenses	(16,908)	9,834
Net Cash Provided by Operating Activities	<u>31,339</u>	<u>654,889</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Capital expenditures	<u>(335,867)</u>	<u>(15,537)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	3,500	60,000
Repayments on line of credit	(220,000)	(65,000)
Proceeds from term debt	<u>263,097</u>	<u>0</u>
Net Cash Provided by (Used in) Financing Activities	<u>46,597</u>	<u>(5,000)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(257,931)	634,352
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>725,389</u>	<u>91,037</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ 467,458</u>	<u>\$ 725,389</u>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

<b>NON CASH OPERATING ACTIVITIES</b>		
In-kind contribution of services	\$ 96,466	\$ 128,818
Interest paid during the year	<u>\$ 33,793</u>	<u>\$ 56,703</u>

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

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**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 \$156,000 at December 31, 2020.

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2020 AND 2019**

**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, 2020 and 2019.

**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, 2020 and 2019 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, 2020 AND 2019**

**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.

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

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2020 AND 2019**

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

**Revenue Recognition (Continued)**

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Revenue recognized at a point in time		
Admissions, tours, and educational programs	\$ 43,691	\$ 118,507
Fundraising events	4,766	177,882
Third party events	200	25,531
Sale of merchandise, net of cost of goods sold	7,903	46,093
Interest and dividends	23	20
Other income	15,745	525
	\$ 72,328	\$ 368,558
Revenue recognized over time		
Membership fees and Leadership Society	\$ 16,194	\$ 28,315

As of December 31, 2020 and 2019, the Museum held no contract assets. Contract liabilities at December 31, 2020 and 2019 consisted solely of deferred revenue of \$4,560 and \$1,856, 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 \$6,215 and \$41,027 is included in the statement of activities for the years ended December 31, 2020 and 2019, 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, 2020 AND 2019**

**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, 2020 and 2019, 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      Liquidity and Availability**

The Museum receives significant contributions on a regular basis 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.

During the year ended December 31, 2020, the Museum was managing operations subject to the Covid 19 pandemic described in Note 13. This decrease in operations created a financial strain which required the Museum to use a portion of the restricted funds on hand to support operations. As such, this amount is reported as a cash overdraft on the statement of financial position. The Museum's Board of Directors and management have established plans to repay the loan in 2021 and by February 2021, the Museum has collected over \$250,000 of contributions to restore this balance and support ongoing operations. In addition, the Museum received a second PPP loan (see Note 6) in the amount of \$117,146 in January 2021.

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 4 Property and Equipment**

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Building improvements	\$ 9,722,202	\$ 9,584,913
Land improvements	222,723	24,145
Equipment	100,637	100,637
Exhibit design	1,749,096	1,749,096
	11,794,658	11,458,791
Less accumulated depreciation	1,654,288	1,308,231
	\$ 10,140,370	\$ 10,150,560

Depreciation expense was \$346,057 and \$344,524 for the years ended December 31, 2020 and 2019, respectively.

**NOTE 5 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%, with a minimum rate of 4% (4% at December 31, 2020).

As of December 31, 2020 and 2019, the outstanding balance on the line of credit was \$778,500 and \$995,000, respectively. The line is secured by the building in which the Museum operates.

**NOTE 6 Term Debt**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Paycheck Protection Program loan of \$113,197, payable to a bank under the guidance and approval of the SBA, as further explained below.	\$ 113,197	\$ 0
Economic Injury Disaster Loan of \$150,000 payable to the SBA, requiring monthly payments, beginning June 2021, of \$641 including a fixed rate of interest of 2.75%, interest accrues from inception and all payments are attributed to accrued interest until the balance is brought current, payments towards principal are expected to begin September 2022, final payment due May 2050, secured by all assets of the Organization.	149,900	0
Total term debt	263,097	0
Less current maturities	113,197	
Term debt, net of current maturities	\$ 149,900	\$ 0

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 6      Term Debt (Continued)**

In April 2020, the Museum applied and was approved for funding pursuant to the Paycheck Protection Program (“PPP”), administered by the U.S. Small Business Administration (“SBA”). The Museum received a loan of \$113,197 which bears interest at 1%, has a term of two years and is unsecured and guaranteed by the SBA. The loan is subject to forgiveness under the PPP to the extent that the PPP loan proceeds are used to pay expenses permitted by the PPP. Subsequent to December 31, 2020, the Museum applied for forgiveness of the loan and received approval in March 2021. As such, the full balance of the loan is classified as current on the statement of financial position.

Term debt maturities, subject to the matter disclosed above, at December 31, 2020 are as follows:

	<b>Principal Payments</b>
2021	\$ 113,197
2022	1,410
2023	3,654
2024	3,756
2025	3,861
Thereafter	137,219
	\$ 263,097

**NOTE 7      Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes.

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Contributions restricted for future years	\$ 10,000	\$ 0
Receipt of time restricted contributions	32,607	23,000
Use of purpose restricted grants	457,458	506,002
	\$ 500,065	\$ 529,002

**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 \$95,904 and \$128,818 of donated professional services for the years ended December 31, 2020 and 2019, respectively.

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 9      Concentrations**

During the years ended December 31, 2020 and 2019, the Museum received approximately \$424,700 and \$1,003,000, respectively, in unrestricted contributions from separate and individual sources, representing 36% and 71%, respectively, of the total annual support for those years.

**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 \$6,236 and \$5,161 for the years ended December 31, 2020 and 2019, respectively.

**NOTE 11     Commitments**

The Museum leases its primary storage facility for its collections under an operating lease which is extended on an annual basis and which expires June 2021. 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, 2020 and 2019 totaled \$108,205 and \$106,592, 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, 2020 and 2019 totaled \$23,022 and \$20,769, respectively. Upon the termination of the lease in March 2021, the Museum vacated the space and did not renew the agreement.

In addition, the Museum leases office equipment with terms expiring January 2026. Total costs incurred under this lease during each of the years ended December 31, 2020 and 2019 was \$4,354.

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

2021	\$ 34,449
2022	3,128
2023	3,128
2024	3,128
2025	3,128

**NOTE 12     Related Party Transactions**

For the years ended December 31, 2020 and 2019, the Museum received \$275,865 and \$655,185, 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, 2020 and 2019.

**NATIONAL MUSEUM OF INDUSTRIAL HISTORY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 13      Economic Disruption**

In March 2020, 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 most significant impact on the Museum was the required closure of the Museum for several months during 2020 and reduced operating hours once the doors were able to reopen. The Museum was also unable to hold its annual fundraising event which has historically supported operations. Management controlled the Museum's operations throughout the pandemic by applying for and obtaining the debt disclosed in Note 6 as well as obtaining several state grants which contributed to the total contributions during the year. Expenses were also monitored and cut wherever there was not a negative impact to operations.

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

**NOTE 14      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, 2021 with early adoption permitted. The Museum is currently evaluating the impact of adopting this guidance on its financial statements.

**NOTE 15      Subsequent Events**

The Museum has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 28, 2021, the date the financial statements were available to be issued. Except as disclosed in Note 6 and Note 11, no events or transactions have occurred which require recognition or disclosure in the financial statements.