



# CHRYSLER MUSEUM *of* ART

**FINANCIAL STATEMENTS**

**JUNE 30, 2021**



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ASSURANCE, TAX & ADVISORY SERVICES

# THE CHRYSLER MUSEUM, INCORPORATED

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
The Chrysler Museum, Incorporated

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Chrysler Museum, Incorporated (the Museum), which comprise the statements of financial position as of June 30, 2021 and 2020, 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 Museum'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 The Chrysler Museum, Incorporated as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*PBMares, LLP*

Norfolk, Virginia  
January 27, 2022

## **FINANCIAL STATEMENTS**

**THE CHRYSLER MUSEUM, INCORPORATED**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2021 and 2020**

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 9,422,123	\$ 2,651,844
Inventory	124,808	153,896
Other assets	950,967	441,262
Employee retention credit receivable	719,892	-
Promises to give, net	3,872,821	2,324,885
Charitable trusts	130,340	113,429
Investments	105,140,860	81,953,511
Property and equipment, net	355,825	406,287
<b>Total assets</b>	<b>\$ 120,717,636</b>	<b>\$ 88,045,114</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 284,047	\$ 174,716
Accrued expenses and other liabilities	814,950	392,198
Deferred revenue	284,528	241,087
Note payable	379,000	611,332
<b>Total liabilities</b>	<b>1,762,525</b>	<b>1,419,333</b>
Net Assets		
Without donor restrictions:		
Board designated	33,178,406	24,259,920
Undesignated	3,622,440	2,851,013
<b>Total net assets without donor restrictions</b>	<b>36,800,846</b>	<b>27,110,933</b>
With donor restrictions	82,154,265	59,514,848
<b>Total net assets</b>	<b>118,955,111</b>	<b>86,625,781</b>
<b>Total liabilities and net assets</b>	<b>\$ 120,717,636</b>	<b>\$ 88,045,114</b>

# THE CHRYSLER MUSEUM, INCORPORATED

## STATEMENT OF ACTIVITIES Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities:			
Support and revenue:			
City of Norfolk	\$ 2,600,104	\$ -	\$ 2,600,104
Contributions and other grants	1,216,155	-	1,216,155
Memberships	1,045,973	-	1,045,973
Earned income from auxiliary activities	387,090	-	387,090
Earned income from programming activities	356,045	-	356,045
Other income	39,483	-	39,483
Payroll Protection Program funding	927,600	-	927,600
Net assets released from restrictions	1,852,853	(1,852,853)	-
Transfer of board designated reserves	7,640	-	7,640
<b>Total support and revenue</b>	<b>8,432,943</b>	<b>(1,852,853)</b>	<b>6,580,090</b>
Operating Expenses:			
Program and auxiliary services:			
Program services - galleries, curatorial, education and exhibitions	6,223,955	-	6,223,955
Auxiliary services	471,641	-	471,641
<b>Total program and auxiliary services</b>	<b>6,695,596</b>	<b>-</b>	<b>6,695,596</b>
Supporting services:			
Fundraising	1,006,671	-	1,006,671
General and administrative	718,556	-	718,556
<b>Total supporting services</b>	<b>1,725,227</b>	<b>-</b>	<b>1,725,227</b>
<b>Total operating expenses</b>	<b>8,420,823</b>	<b>-</b>	<b>8,420,823</b>
<b>Change in net assets from operating activities</b>	<b>12,120</b>	<b>(1,852,853)</b>	<b>(1,840,733)</b>
Non-operating Activities:			
Change in net assets related to collection items not capitalized			
Accessions	(614,776)	-	(614,776)
Investment income	9,044,608	18,881,183	27,925,791
Contributions, non-operating	41,072	6,581,563	6,622,635
Employee retention credit income	719,892	-	719,892
Non-operating expenses	(456,286)	-	(456,286)
Interest expense	(19,553)	-	(19,553)
Net assets released from restrictions	970,476	(970,476)	-
Transfer of board designated reserves	(7,640)	-	(7,640)
<b>Change in net assets from non-operating activities</b>	<b>9,677,793</b>	<b>24,492,270</b>	<b>34,170,063</b>
<b>Change in net assets</b>	<b>9,689,913</b>	<b>22,639,417</b>	<b>32,329,330</b>
Net assets, beginning of year	27,110,933	59,514,848	86,625,781
Net assets, end of year	<b>\$ 36,800,846</b>	<b>\$ 82,154,265</b>	<b>\$ 118,955,111</b>

# THE CHRYSLER MUSEUM, INCORPORATED

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities:			
Support and revenue:			
City of Norfolk	\$ 2,196,035	\$ -	\$ 2,196,035
Contributions and other grants	1,255,308	-	1,255,308
Memberships	1,061,666	-	1,061,666
Earned income from auxiliary activities	571,367	-	571,367
Earned income from programming activities	410,511	-	410,511
Other income	118,815	-	118,815
Payroll Protection Program funding	927,600	-	927,600
Net assets released from restrictions	1,712,726	(1,712,726)	-
Transfer of board designated reserves	453,767	-	453,767
<b>Total support and revenue</b>	<b>8,707,795</b>	<b>(1,712,726)</b>	<b>6,995,069</b>
Operating Expenses			
Program and auxiliary services:			
Program services - galleries, curatorial, education and exhibitions	6,526,761	-	6,526,761
Auxiliary services	519,297	-	519,297
<b>Total program and auxiliary services</b>	<b>7,046,058</b>	<b>-</b>	<b>7,046,058</b>
Supporting services:			
Fundraising	939,818	-	939,818
General and administrative	712,491	-	712,491
<b>Total supporting services</b>	<b>1,652,309</b>	<b>-</b>	<b>1,652,309</b>
<b>Total operating expenses</b>	<b>8,698,367</b>	<b>-</b>	<b>8,698,367</b>
<b>Change in net assets from operating activities</b>	<b>9,428</b>	<b>(1,712,726)</b>	<b>(1,703,298)</b>
Non-operating Activities			
Change in net assets related to collection items not not capitalized			
Accessions	(520,238)	-	(520,238)
Investment income	718,301	1,438,486	2,156,787
Contributions, non-operating	69,494	2,143,831	2,213,325
Non-operating expenses	(407,352)	-	(407,352)
Interest expense	(98,962)	-	(98,962)
Net assets released from restrictions	2,310,414	(2,310,414)	-
Transfer of board designated reserves	(453,767)	-	(453,767)
<b>Change in net assets from non-operating activities</b>	<b>1,617,890</b>	<b>1,271,903</b>	<b>2,889,793</b>
<b>Change in net assets</b>	<b>1,627,318</b>	<b>(440,823)</b>	<b>1,186,495</b>
Net assets, beginning of year	25,483,615	59,955,671	85,439,286
Net assets, end of year	\$ 27,110,933	\$ 59,514,848	\$ 86,625,781



**THE CHRYSLER MUSEUM, INCORPORATED**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2021**

	Program and Auxiliary Services			Supporting Services			Total Operating Expenses
	Program Services	Auxiliary Services	Total Program and Auxiliary Services	Fundraising	General and Administrative	Total Supporting Services	
Advertising and printing	\$ 198,788	\$ 18,296	\$ 217,084	\$ 78,800	\$ 3,557	\$ 82,357	\$ 299,441
Compensation and benefits	3,610,462	243,627	3,854,089	525,570	549,215	1,074,785	4,928,874
Computer services and equipment	104,286	17,503	121,789	16,670	3,403	20,073	141,862
Consulting and outside services	278,006	11,202	289,208	302,871	84,869	387,740	676,948
Cost of sales	-	122,373	122,373	-	-	-	122,373
Depreciation	58,005	4,805	62,810	11,174	11,464	22,638	85,448
Exhibition costs	610,732	-	610,732	-	-	-	610,732
Insurance	158,726	2,305	161,031	2,019	2,339	4,358	165,389
Miscellaneous	157,591	31,056	188,647	41,782	30,542	72,324	260,971
Repairs and maintenance	305,818	5,066	310,884	3,953	5,879	9,832	320,716
Supplies	168,658	3,216	171,874	2,048	5,246	7,294	179,168
Travel and entertainment	25,839	247	26,086	5,822	4,651	10,473	36,559
Utilities	547,044	11,945	558,989	15,962	17,391	33,353	592,342
<b>Total</b>	<b>\$ 6,223,955</b>	<b>\$ 471,641</b>	<b>\$ 6,695,596</b>	<b>\$ 1,006,671</b>	<b>\$ 718,556</b>	<b>\$ 1,725,227</b>	<b>\$ 8,420,823</b>

## THE CHRYSLER MUSEUM, INCORPORATED

### STATEMENT OF FUNCTIONAL EXPENSES Year Ended June 30, 2020

	Program and Auxiliary Services			Supporting Services			Total Operating Expenses
	Program Services	Auxiliary Services	Total Program and Auxiliary Services	Fundraising	General and Administrative	Total Supporting Services	
Advertising and printing	\$ 204,692	\$ 22,418	\$ 227,110	\$ 55,609	\$ 4,958	\$ 60,567	\$ 287,677
Compensation and benefits	3,873,073	260,827	4,133,900	513,204	522,272	1,035,476	5,169,376
Computer services and equipment	178,571	20,746	199,317	24,940	9,998	34,938	234,255
Consulting and outside services	162,597	12,131	174,728	197,930	80,691	278,621	453,349
Cost of sales	-	119,208	119,208	-	-	-	119,208
Depreciation	70,659	6,120	76,779	12,404	11,885	24,289	101,068
Exhibition costs	479,931	-	479,931	-	-	-	479,931
Insurance	159,904	2,323	162,227	2,034	2,356	4,390	166,617
Miscellaneous	173,667	35,943	209,610	37,728	28,212	65,940	275,550
Repairs and maintenance	255,414	9,706	265,120	2,684	4,365	7,049	272,169
Supplies	215,689	10,546	226,235	5,464	7,582	13,046	239,281
Travel and entertainment	169,220	8,547	177,767	75,717	27,019	102,736	280,503
Utilities	583,344	10,782	594,126	12,104	13,153	25,257	619,383
<b>Total</b>	<b>\$ 6,526,761</b>	<b>\$ 519,297</b>	<b>\$ 7,046,058</b>	<b>\$ 939,818</b>	<b>\$ 712,491</b>	<b>\$ 1,652,309</b>	<b>\$ 8,698,367</b>

# THE CHRYSLER MUSEUM, INCORPORATED

## STATEMENTS OF CASH FLOWS Years Ended June 30, 2021 and 2020

	2021	2020
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 32,329,330	\$ 1,186,495
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Investment income	(27,925,791)	(2,156,787)
Depreciation	85,448	101,068
Contributions restricted for long-term use	(1,308,068)	(573,353)
Accessions	614,776	520,238
Changes in certain assets and liabilities:		
Inventory and other assets	(480,617)	(16,210)
Promises to give	(1,268,334)	332,250
Employee retention credit receivable	(719,892)	-
Charitable trusts	(16,911)	(118)
Accounts payable, accrued expenses and deferred revenue	575,524	(295,134)
	<b>1,885,465</b>	<b>(901,551)</b>
<b>Net cash provided by (used in) operating activities</b>		
<b>Cash Flows from Investing Activities:</b>		
Purchases of investments	(5,071,228)	(8,352,725)
Proceeds from sales of investments	9,809,670	12,436,847
Payments for accessions	(614,776)	(520,238)
Purchases of property and equipment	(34,986)	-
	<b>4,088,680</b>	<b>3,563,884</b>
<b>Net cash provided by investing activities</b>		
<b>Cash Flows from Financing Activities:</b>		
Collection of contributions restricted for long-term use	1,028,466	510,150
Repayment of note payable	(232,332)	(2,909,922)
	<b>796,134</b>	<b>(2,399,772)</b>
<b>Net cash provided by (used in) financing activities</b>		
	<b>6,770,279</b>	<b>262,561</b>
<b>Increase in cash and cash equivalents</b>		
Cash and Cash Equivalents, beginning of year	<b>2,651,844</b>	<b>2,389,283</b>
Cash and Cash Equivalents, end of year	<b>\$ 9,422,123</b>	<b>\$ 2,651,844</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	\$ 19,553	\$ 98,962

# THE CHRYSLER MUSEUM, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### **Note 1. Nature of Organization**

The Chrysler Museum, Incorporated (the Museum) is one of America's most distinguished art museums. Located in Hampton Roads, a community of approximately 1.7 million in southeastern Virginia, the Museum welcomes approximately 200,000 annual visitors from around the world.

The Museum is home to a world-class collection of over 30,000 paintings, sculptures, photographs, and decorative arts primarily assembled by industrialist Walter P. Chrysler, Jr. The Museum is particularly well known for its glass collection, one of the finest and most comprehensive anywhere.

The Museum also administers the Moses Myers House located in downtown Norfolk. The Moses Myers House, which was the residence of Norfolk's first Jewish citizens, includes more than 70% of its original late eighteenth century furnishings.

In addition to its permanent collection, each year the Museum presents a dynamic schedule of changing exhibitions and a wide variety of interpretive programs. Each is designed to make the works on view in the Museum galleries accessible and meaningful to a diverse audience.

Through an active program of loans from its collection and through the professional involvement of its staff, the Museum maintains an active presence in the international museum community.

The Museum is particularly proud of its record of community citizenship and good management. The Museum is a regular partner and collaborator with regional governments, businesses, educational organizations, and cultural groups, seeking to leverage resources to provide the highest quality service at the lowest cost.

The Museum's mission is to act as a catalyst. The Museum brings art and people together to enrich and transform lives. A free admission policy along with interpretive programming ensures the Museum is accessible to the community it exists to serve.

The Museum also operates the Chrysler Museum Glass Studio (the Glass Studio), which is an educational facility that offers the public an experimental approach to the exciting properties of glass. The Glass Studio complements the Museum's comprehensive glass collection with an engaging approach that demonstrates the many glass processes used to create these extraordinary objects.

### **Note 2. Summary of Significant Accounting Policies**

***Basis of presentation:*** The financial statements of the Museum are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Museum to report information regarding its financial position and activities according to the following net asset classifications:

***Net assets without donor restrictions:*** Net assets without donor restrictions are not subject to donor-imposed conditions and may be expended for any purpose in performing the primary objectives of the Museum. These net assets may be used at the discretion of the Museum's management and the Board of Trustees (the Board). The Board has designated a portion of the net assets without donor restrictions as disclosed in Note 12.

# THE CHRYSLER MUSEUM, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### **Note 2. Summary of Significant Accounting Policies (Continued)**

*Net assets with donor restrictions:* Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Museum or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the resources be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

*Estimates:* Management uses estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

*Art collection:* In conformity with the practice followed by most museums, the collection is not presented in the accompanying statements of financial position. The value of accessions (collection items purchased by the Museum) and the deaccession proceeds are reported as non-operating activities in the accompanying statements of activities. Contributed collection items are not reflected in the financial statements.

The Museum is committed to applying the highest professional standards to the care and preservation of its unique collection. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. Accessions and deaccessions are approved by the Museum's Board and the proceeds from deaccession are used solely for the acquisition of collection items. Additionally, in an effort to maintain the purchasing power of such proceeds, the Board has similarly designated the investment income earned on these funds. At June 30, 2021 and 2020, the Museum's collection was insured at a level deemed appropriate by management.

*Cash and cash equivalents:* For purposes of the statements of financial position and cash flows, cash and cash equivalents are defined as demand deposits, certificates of deposits and all highly liquid debt instruments purchased with an original maturity of three months or less, other than those maintained as a part of investment portfolios.

*Inventory:* Inventory is valued at lower of cost (using the first-in, first-out method) or net realizable value. The Museum's inventory consists of items to be sold in the gift shop. Some examples of the types of inventory reflected in the statements of financial position are jewelry, books, games, household items, decorative items, clothing, stationary, and souvenirs.

*Promises to give:* Promises to give represent unconditional promises to give and are recorded at fair value initially and net realizable value thereafter. Promises to give expected to be settled after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible promises to give is provided based upon management's judgment. Conditional promises to give are not recorded as support until the conditions are substantially met. At June 30, 2021 and 2020, the Museum had \$4,250,000 and \$4,250,000, respectively, of conditional promises to give related to expanding the Museum and Glass Studio.

# THE CHRYSLER MUSEUM, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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

**Investments:** The Museum's investments are carried at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Changes in fair value are included in the change in net assets in the accompanying statements of activities. See Note 7 for further discussion of fair value measurements.

**Property and equipment:** Property and equipment are recorded at cost if purchased and at estimated fair value if donated. Asset purchases of \$5,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Depreciation is calculated using the straight-line method based on useful lives of 3-30 years.

The Museum's buildings are owned by the City of Norfolk (the City). By mutual agreement, the Museum occupies these facilities without charge. The Museum does not recognize contribution income and the offsetting rental expense for the use of the facilities. Most improvements and additions to the buildings have been funded jointly by the City and by Museum contributions restricted for such purposes. These improvements and additions to the Museum's buildings have been considered property of the City. The Museum transfers its property improvements to the City upon completion of each project. There were no such transfers to the City during the years ended June 30, 2021 and 2020.

On October 28, 2011, the City awarded the Museum \$10,000,000 to support its capital campaign project. Payments are subject to City appropriation annually and as such the Museum recognizes revenue under this arrangement when invoiced. Support from this arrangement totaled \$850,000 during the year ended June 30, 2020, and has been recognized in the accompanying financial statements. As of June 30, 2020, the entire \$10,000,000 award had been received by the Museum.

**Revenue recognition:** Effective July 1, 2020, the Museum implemented the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), Topic 606, *Revenue from Contracts with Customers*, using the modified retrospective transition method to all contracts. No adjustments to net assets were necessary to transition to the new standard.

The Museum has two forms of contribution revenue which are accounted for under ASC 958-605.

Membership revenue is characterized as contributions and recorded upon receipt, as management has determined that there is no substantive performance obligation for the Museum associated with the membership. Memberships are recorded at established rates.

Contributions and unconditional promises to give (pledges), are recorded as revenue in the period in which they are received. Conditional contributions are recognized as revenue when there are no unfulfilled conditions and no right of return or release exists. Contributions are recorded at fair value, and in the case of pledges, net of estimated uncollectible amounts, and discounted if due over periods in excess of one year.

The Museum has multiple revenue streams that are accounted for under ASC 606, *Revenue from Contracts with Customers*, which include gift shop sales, venue rentals and programming activities.

# THE CHRYSLER MUSEUM, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### **Note 2. Summary of Significant Accounting Policies (Continued)**

Earned income from auxiliary activities consist of gift shop sales and venue rentals, both of which are recognized at the point in time when the goods or services are delivered to the customer. Revenue from sales of gift shop inventory is recognized at point of sale. Revenue from space rentals is recognized once the event occurs. Deposits and prepayments for space rental are reflected as deferred revenue until the performance obligation is satisfied on the date of the event.

Earned income from programming activities consist of fees charged for art classes, lectures, educational sessions and events. Revenue from these activities is recognized at a point in time that corresponds to when the related performance obligations have been satisfied, generally the date of the activity or event. Deposits and prepayments for programming activities are reflected as deferred revenue until the date of the activity or event.

**Advertising:** Advertising costs are charged to operations when incurred and totaled \$199,355 and \$172,805 for the years ended June 30, 2021 and 2020, respectively.

**Functional allocation of expenses:** The Museum's program services include preserving, collecting, displaying and interpreting original works of art for the enjoyment and education of a diverse constituency. Auxiliary services include the gift shop and facility rentals. The cost of providing the various program and supporting services has been summarized on a functional basis in the statements of activities and statements of functional expenses. The Museum incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity; these direct expenses are aggregated by function. The Museum also incurs expenses that benefit both its program objectives as well as supporting services. These indirect costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited. Facilities management, utilities and depreciation expenses are allocated on the basis of space allocation using square footage and computer services and equipment is allocated based on headcount. The Director's compensation is allocated based on estimates of time and effort incurred.

**Volunteers:** A substantial number of unpaid volunteers have made significant contributions of their time and talent to further the mission of the Museum. The value of these contributed services is not reported in these financial statements since it is not susceptible to objective measurement or valuation, and because the criteria for recognition of such volunteer efforts have not been satisfied.

**Measure of operations:** The Museum includes in its measure of operations all revenue and expenses that are integral to its programs and supporting activities, net assets released from donor restrictions to support operating expenditures, and transfers from Board designated and other non-operating funds to support current operating activities. The measure of operations includes support for operating activities from net assets with and without donor restrictions designated for long-term investment (the donor-restricted and quasi-endowment) according to the Museum's spending policy, which is detailed in Note 14. The measure of operations excludes investment return on quasi-endowment funds, changes in net assets pertaining to acquisition and deaccession of collection items, gains (losses) on disposal or sale of property and equipment, non-capitalized expenditures, interest expense related to borrowings, and certain miscellaneous charges and revenue unrelated to operating activities.

# THE CHRYSLER MUSEUM, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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

**Income taxes:** The Museum is an organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Exempt organizations are subject to tax on income from regularly conducted trade or business activities that are not substantially related to the organization's exempt purpose. The Museum has net operating loss carryforwards at June 30, 2021 of approximately \$448,000 related to its unrelated business income. Due to the uncertainty related to the potential use of this net operating loss carryforward, management has applied a full valuation allowance against the related deferred tax asset. For the year ended June 30, 2021, approximately \$408,000 of prior net operating loss carryforwards were utilized. Tax returns are generally subject to examinations for three years from the date filed. Management continually evaluates tax positions reflected in the Museum's tax filings and does not believe that any material uncertain tax positions exist. The Museum's policy is to classify income tax related interest and penalties, if any, as miscellaneous expenses.

**Adopted accounting pronouncements:** During the year ended June 30, 2020, the Museum adopted FASB Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, which clarifies and improves guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction would be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance. The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The Museum's management determined that the adoption of this guidance did not result in any changes to existing revenue recognition policies.

**New accounting pronouncements:** In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Museum for the year ended June 30, 2023. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The impact of the new standard has not been determined; however, it is expected that there will be an increase in the Museum's assets and liabilities.



## THE CHRYSLER MUSEUM, INCORPORATED

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 2. Summary of Significant Accounting Policies (Continued)**

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. In accordance with this ASU, not-for-profits will be required to provide additional information on the contributions of nonfinancial assets they receive. Contributed nonfinancial assets can include fixed assets such as land, buildings, and equipment; the use of fixed assets or utilities; materials and supplies, such as food, clothing, or pharmaceuticals; intangible assets; and recognized contributed services. The new ASU requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the statement of activities, disaggregated by category that depicts the type of nonfinancial assets. For each category of contributed nonfinancial assets recognized, the standard requires a not-for-profit to disclose qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If they were utilized, a description of the programs or other activities in which those assets were used is required. The not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets must also be disclosed as well as a description of any donor-imposed restrictions associated with the contributed nonfinancial assets. The FASB is requiring the standard to be applied retrospectively.

The amendments take effect for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. The Museum is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

**Subsequent events:** Management has evaluated subsequent events through January 27, 2022, the date which the financial statements were available to be issued.

# THE CHRYSLER MUSEUM, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### Note 3. Liquidity and Availability of Financial Assets

The following represents the Museum's financial assets available for general expenditure without donor or other restrictions limiting their use, within one year of the statement of financial position date:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year-end:		
Cash and cash equivalents	\$ 9,422,123	\$ 2,651,844
Charitable trusts	130,340	113,429
Investments	105,140,860	81,953,511
Promises to give	3,872,821	2,324,885
	<hr/>	<hr/>
<b>Total financial assets at year-end</b>	<b>118,566,144</b>	<b>87,043,669</b>
Less Amounts not Available to be Used within One Year:		
Financial assets included above with donor restrictions	82,154,265	59,514,848
Quasi endowment established by the Board for capital improvements	5,224,542	3,909,466
Quasi endowment established by the Board for art purchases	6,625,682	5,277,076
	<hr/>	<hr/>
<b>Total not available to be used within one year</b>	<b>94,004,489</b>	<b>68,701,390</b>
Add Other Amounts Available within One Year:		
Promises to give, time restrictions expire within one year	765,610	828,963
Spending rate appropriations on donor restricted endowment funds	1,955,416	1,945,921
	<hr/>	<hr/>
<b>Total other amounts available within one year</b>	<b>2,721,026</b>	<b>2,774,884</b>
<b>Financial assets available for general         expenditure within one year</b>	<b>\$ 27,282,681</b>	<b>\$ 21,117,163</b>
	<hr/> <hr/>	<hr/> <hr/>

The Museum has a goal to maintain cash on hand to meet at least four months of ordinary business expenses to maintain an adequate liquidity for working capital purposes.

# THE CHRYSLER MUSEUM, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### Note 4. Promises to Give

Promises to give at June 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Amounts due within one year	\$ 765,610	\$ 828,963
Amounts due in more than one year but less than five years	2,275,928	136,000
Amounts due in more than five years	<u>2,397,500</u>	<u>3,134,412</u>
<b>Total promises to give</b>	<b>5,439,038</b>	4,099,375
Less allowance for doubtful accounts	(267,827)	(200,390)
Less present value discount (ranging from 0.43% - 7.00%)	<u>(1,298,390)</u>	<u>(1,574,100)</u>
<b>Total promises to give, net</b>	<b><u>\$ 3,872,821</u></b>	<b><u>\$ 2,324,885</u></b>

### Note 5. Split-Interest Agreements

Split-interest agreements with donors consist of irrevocable charitable gift annuities, charitable remainder trusts and a perpetual trust. Split-interest agreements are reported at fair value in the statements of financial position.

Charitable gift annuities are recognized as an asset at fair value at the date of the annuity agreement. An annuity liability is recognized for the present value of future cash flows expected to be paid to the donor, and contribution revenues are recognized equal to the difference between the asset and the annuity liability. Liabilities are adjusted during the terms of the annuities for payments to donors, accretion of discounts and changes in the life expectancies of the donors.

Charitable remainder trusts provide for the payment of distributions to designated beneficiaries over the trusts' terms. At the end of the trusts' terms, the remaining assets are to be available for the Museum's use, subject to donor-imposed restrictions. The Museum is also the beneficiary of a perpetual trust which was recognized as an asset and contribution revenue at the date the trust was established. Distributions from the trust are recorded as investment income and the assets are adjusted for changes in the fair value of the trust assets. These trusts are administered and held by others.

At June 30, 2021 and 2020, the Museum recorded liabilities to beneficiaries of the charitable gift annuities totaling \$70,597 and \$74,567, respectively, which are included in accrued expenses and other liabilities in the accompanying statements of financial position. The assets related to these arrangements, amounting to \$486,113 and \$394,366 at June 30, 2021 and 2020, respectively, are included in investments.

# THE CHRYSLER MUSEUM, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### Note 6. Investments

Investments are stated at fair value (see Note 7 for more details) and consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
	Fair Value	Fair Value
Money market funds	\$ 2,548,290	\$ 1,746,940
Equities	39,185,704	23,583,301
U.S. Treasuries	5,669,949	5,135,238
Publicly traded fixed income securities	2,035,925	1,641,559
Securitized fixed income investments	1,869,651	1,714,945
Multi-strategy fund - The Richmond Fund L.P.	53,345,228	47,737,162
	<u>104,654,747</u>	<u>81,559,145</u>
Gift annuity investments	486,113	394,366
	<u>105,140,860</u>	<u>81,953,511</u>
<b>Total investments</b>	<b>\$ 105,140,860</b>	<b>\$ 81,953,511</b>

Investment income for the years ended June 30, 2021 and 2020, consists of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 993,057	\$ 1,373,744
Realized and unrealized gains	27,474,504	1,334,254
Investment management fees	(541,770)	(551,211)
	<u>27,925,791</u>	<u>2,156,787</u>
<b>Total investment income</b>	<b>\$ 27,925,791</b>	<b>\$ 2,156,787</b>

Unrestricted non-operating investment income includes amounts from Board designated funds.

### The Richmond Fund, L.P.

Through the Museum's investment in the Richmond Fund, L.P., (the Fund) the Museum has a beneficial ownership of an investment fund that represents 1.90% and 2.36% of the Fund's total partners' capital at June 30, 2021 and 2020, respectively.

In order to diversify investment risk and avoid undue concentration in any one asset class or group of assets, Museum management invests in investment partnerships and funds, including a substantial investment in the Fund, a Virginia limited partnership affiliated with the University of Richmond (the University), organized to provide an asset management vehicle for certain non-profit organizations. The General Partner of the Fund is Spider Management Company, LLC, a controlled affiliate of the University. One of the goals of the Fund is to achieve gross investment returns for its investors that mirror the returns achieved by the University's endowment. The fair value of this investment at June 30, 2021 and 2020 was \$53,345,228 and \$47,737,162, respectively.

## THE CHRYSLER MUSEUM, INCORPORATED

### NOTES TO FINANCIAL STATEMENTS

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#### Note 6. Investments (Continued)

The Fund's investments are diversified globally and by sector, and at June 30, 2021 and 2020 the Fund's assets consisted of the following:

	<u>2021</u>	<u>2020</u>
Investments in investment funds:		
Hedge funds	46.49 %	54.26 %
Private equity	24.38 %	17.89 %
Real assets	8.40 %	5.60 %
Real estate	2.39 %	2.99 %
	<u>81.66 %</u>	<u>80.74 %</u>
Investments in securities:		
Common and preferred stocks	4.43 %	3.70 %
Comingled funds	2.37 %	2.24 %
	<u>6.80 %</u>	<u>5.94 %</u>
Cash and cash equivalents and other assets	<u>11.54 %</u>	13.32 %
	<u>100.00 %</u>	<u>100.00 %</u>

#### Liquidity

As part of the Museum's investment in the Fund, limitations exist on the Museum's ability to redeem certain investments. The limitations on redemptions are governed by partnership agreements and generally exist for five years. Redemptions can be further delayed based on investee liquidity. At June 30, 2020 approximately 40% of the Museum's investment partnership portfolio was available for redemption within the next 12 months. At June 30, 2021 approximately 25% of the Museum's investment partnership portfolio was available for redemption within the next 12 months.

#### Note 7. Fair Value Measurements

The Museum has certain assets and liabilities that are valued using a fair value hierarchy. The three levels of fair value hierarchy for recurring fair value measurements are prioritized based on the inputs to valuation techniques used to measure fair value and are as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – observable inputs that include quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable and can be corroborated by observable market data for substantially the full term of the assets or liabilities.

# THE CHRYSLER MUSEUM, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Fair Value Measurements (Continued)

- Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following tables present the Museum’s assets and liabilities that are measured at fair value on a recurring basis for each hierarchy level at June 30, 2021 and 2020:

	2021				
	Level 1	Level 2	Level 3	NAV	Total
<b>Assets</b>					
<b>Investments:</b>					
Money market funds	\$ 2,548,290	-	-	-	\$ 2,548,290
Equities	39,185,704	-	-	-	39,185,704
U.S. Treasuries	5,669,949	-	-	-	5,669,949
Publicly traded fixed income securities	451,875	1,584,050	-	-	2,035,925
Securitized fixed income investments	-	1,869,651	-	-	1,869,651
Multi-strategy fund - The Richmond Fund L.P.	-	-	-	53,345,228	53,345,228
<b>Gift annuity investments:</b>					
Bank deposits	79,476	-	-	-	79,476
Equity mutual funds	308,140	-	-	-	308,140
Fixed income mutual funds	98,497	-	-	-	98,497
Charitable trusts	-	-	130,340	-	130,340
Total assets at fair value	\$ 48,341,931	\$ 3,453,701	\$ 130,340	\$ 53,345,228	\$ 105,271,200
<b>Liabilities</b>					
Gift annuity liabilities	\$ -	\$ -	\$ 70,597	\$ -	\$ 70,597
Total liabilities at fair value	\$ -	\$ -	\$ 70,597	\$ -	\$ 70,597

# THE CHRYSLER MUSEUM, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Fair Value Measurements (Continued)

	2020					Total
	Level 1	Level 2	Level 3	NAV		
<b>Assets</b>						
Investments:						
Money market funds	\$ 1,746,940	\$ -	\$ -	\$ -		1,746,940
Equities	23,733,626	-	-	-		23,733,626
U.S. Treasuries	5,135,238	-	-	-		5,135,238
Publicly traded fixed income securities	-	1,491,234	-	-		1,491,234
Securitized fixed income investments	-	1,714,945	-	-		1,714,945
Multi-strategy fund - The Richmond Fund L.P.	-	-	-	47,737,162		47,737,162
Gift annuity investments:						
Bank deposits	79,468	-	-	-		79,468
Equity mutual funds	222,318	-	-	-		222,318
Fixed income mutual funds	92,580	-	-	-		92,580
Charitable trusts	-	-	113,429	-		113,429
<b>Total assets at fair value</b>	<b>\$ 31,010,170</b>	<b>\$ 3,206,179</b>	<b>\$ 113,429</b>	<b>\$ 47,737,162</b>	<b>\$</b>	<b>\$ 82,066,940</b>
<b>Liabilities</b>						
Gift annuity liabilities	\$ -	\$ -	\$ 74,567	\$ -	\$	74,567
<b>Total liabilities at fair value</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 74,567</b>	<b>\$ -</b>	<b>\$</b>	<b>74,567</b>

The Museum used quoted prices in principal active markets for identical assets as of the valuation date (Level 1) to value certain money market funds, registered mutual funds, U.S. Treasuries, securitized fixed income investments, and equities at June 30, 2021 and 2020.

For the valuation of certain fixed income investments at June 30, 2021 and 2020, the Museum used significant other observable inputs, particularly quoted prices for the identical instruments on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

The valuation of the multi-strategy fund at June 30, 2021 and 2020 is reported at estimated fair value utilizing the net asset values (NAV) provided by the fund manager as a practical expedient.

Fair value for the charitable trusts and gift annuity liabilities are determined by calculating the present value of the future distributions expected to be received or paid, using published Internal Revenue Service life expectancy tables and rates of 1.02% and 0.43%, respectively, for the years ended June 30, 2021 and 2020. There have been no changes in the valuation techniques and related inputs.

# THE CHRYSLER MUSEUM, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Fair Value Measurements (Continued)

The following tables present a reconciliation of assets and liabilities in which significant unobservable inputs (Level 3) were used to determine fair value as of June 30, 2021 and 2020.

	2021				
	Fair Value July 1, 2020	Net Realized and Unrealized Gains	Purchases	Sales	Fair Value June 30, 2021
Charitable trusts assets	\$ 113,429	\$ 16,911	\$ -	\$ -	\$ 130,340
Gift annuity liabilities	74,567	6,649	-	(10,619)	70,597

  

	2020				
	Fair Value July 1, 2019	Net Realized and Unrealized Gains	Purchases	Sales	Fair Value June 30, 2020
Charitable trusts assets	\$ 113,311	\$ 118	\$ -	\$ -	\$ 113,429
Gift annuity liabilities	84,990	3,526	-	(13,949)	74,567

The following summarizes investments in entities that calculate fair value based on NAV per share as of June 30, 2021 and 2020:

Description	2021			
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
The Richmond Fund, L.P.	\$ 53,345,288	\$ -	Quarterly (with limitations)	60 Days
	\$ 53,345,288	\$ -		

  

Description	2020			
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
The Richmond Fund, L.P.	\$ 47,737,162	\$ -	Quarterly (with limitations)	60 Days
	\$ 47,737,162	\$ -		



## THE CHRYSLER MUSEUM, INCORPORATED

### NOTES TO FINANCIAL STATEMENTS

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#### Note 7. Fair Value Measurements (Continued)

Investments in the Fund include investments in hedge funds, private equity funds and other funds (real assets and real estate), common and preferred stocks and comingled funds and are reported at fair value as determined by Richmond Fund Management Company, LLC (the General Partner). The General Partner has estimated the fair value of the Fund's investments in investment funds on the basis of the NAV per share of the investment (or its equivalent), as a practical expedient, wherever a) the underlying investment manager's calculation of NAV is fair value based, and b) the NAV has been calculated as of the Fund's fiscal year-end date. For investments in funds where the reported NAV is not as of the Fund's fiscal year-end date or is not fair value based, the General Partner has adjusted the NAV, if deemed necessary, to estimate the NAV. Examples of factors that might necessitate an adjustment to the investment manager's reported NAV when it is not as of the Fund's fiscal year-end dates, are capital contributions that have been made or distributions that have been received since the calculation date of the reported NAV changes to market or economic conditions, which could affect the value of the investment fund's portfolio after the calculation date of the reported NAV or changes that have occurred in the composition of the underlying investment portfolio of the investment fund after the NAV calculation date. When the General Partner has concluded that an adjustment is necessary because the reported NAV is not calculated consistently with fair value measurement principles, the General Partner will evaluate the reasons why the NAV has not been based upon fair value and, when possible, obtain sufficient information to estimate a fair value based NAV.

When the General Partner determines it is not practicable to calculate an adjusted NAV, the practical expedient will not be utilized and other valuation methodologies will be used as in the following paragraph. As of June 30, 2021 and 2020, the General Partner utilized the practical expedient for practically all investments in investment funds.

Hedge funds for which the practical expedient cannot be utilized are valued based upon valuations determined in good faith by the underlying investment managers and reviewed by the General Partner. Based on the specific investment, the General Partner may consider, among other factors, the volume of redemptions occurring at the reporting date at NAV, restrictions on redemptions at the reporting dates and the portion of the fund designated as a "side pocket" not available for redemption. Private equity funds, real assets and real estate funds, for which the practical expedient cannot be utilized, are valued at their estimated fair value as determined in good faith by the underlying investment managers and reviewed by the General Partner. Based on the specific investment and its underlying assets, the General Partner may consider, among other factors, quotes from market participants, pricing models, valuations or implied market inputs of comparable securities, recent sales or purchase multiples of comparable companies or securities, forecasted cash flows of the company, operating results or other financial data against set benchmarks, the book value of the company, market conditions, or other factors it deems relevant. The approved methodology will often depend on the availability of information, the type of investment, the stage of the company, and the business of the company. The General Partner attempts to maximize the use of observable inputs when available, and maintains documentation to support the rationale and method used to estimate fair value.

# THE CHRYSLER MUSEUM, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### Note 8. Property and Equipment

Property and equipment at June 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Furniture, fixtures and equipment	\$ 2,480,421	\$ 2,445,435
Less accumulated depreciation	<u>(2,124,596)</u>	<u>(2,039,148)</u>
<b>Property and equipment, net</b>	<b><u>\$ 355,825</u></b>	<b><u>\$ 406,287</u></b>

### Note 9. Note Payable

The Museum has a note payable with an original balance of \$15,000,000 for a Museum expansion project. As of June 30, 2021 and 2020, the note payable balance outstanding was \$379,000 and \$611,332, respectively. The Museum will pay 79 monthly interest payments at 3.75% beginning June 2016 calculated on the outstanding balance along with annual principal payments of \$1,500,000 beginning in January 2017. As of June 30, 2021, the Museum has made prepayments on the loan totaling \$1,695,883. The Museum paid less than the required annual principal payment during the year ended June 30, 2021 based on the lender's approval. The original agreement provides that any outstanding principal and interest is due January 2023. This loan is secured by certain Museum investment securities.

Future maturities of the long-term note payable are as follows:

<u>Year</u>	<u>Amount</u>
2022	<u>\$ 379,000</u>

### Note 10. Lease Payable

The Museum entered into a five year lease for printers to be used for operations in March 2019. The lease included a maintenance component to care for the printers while under lease. The lease is recorded as a capital lease in accordance with U.S. GAAP requirements.

Future minimum lease payments for the capital lease are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 14,880
2023	14,880
2024	<u>11,160</u>
<b>Total future minimum capital lease payments</b>	<b>40,920</b>
Less: Amounts representing interest	<u>(6,815)</u>
<b>Present value of future minimum lease payments</b>	<b><u>\$ 34,105</u></b>

# THE CHRYSLER MUSEUM, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### Note 10. Lease Payable (Continued)

The cost of the leased printers is \$65,708 and as of June 30, 2021 and 2020 the related accumulated depreciation was \$24,640 and \$13,689, respectively. The present value of the future minimum lease payments is included in accrued expenses and other liabilities.

### Note 11. Employee Benefit Plan

The Museum offers a 403(b) retirement plan covering substantially all employees who have attained age 21, have been employed for at least one year, and who work a minimum of 1,000 hours annually. Contributions to the plan are at the discretion of the Board and approved annually. The Museum's policy is to fund the contributions as accrued. Employer contributions to the plan were \$151,620 and \$137,987 in 2021 and 2020, respectively, exclusive of plan administrative costs.

### Note 12. Net Assets

#### Net Assets Without Donor Restrictions

The Museum's net assets without donor restrictions is comprised of undesignated and Board designated amounts at June 30, 2021 and 2020, classified as to purpose, as follows:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 3,622,440	\$ 2,851,013
Board designated:		
Accessions	6,625,682	5,277,076
Capital improvements	5,224,542	3,909,466
Program and supporting services	21,328,182	15,073,378
<b>Total Board designated</b>	<b>33,178,406</b>	<b>24,259,920</b>
<b>Total net assets without donor restrictions</b>	<b>\$ 36,800,846</b>	<b>\$ 27,110,933</b>

Quasi-Endowment Funds: Board designated net assets include quasi-endowment funds which consist of deaccession proceeds and other unrestricted funds which the Board has designated for accession, capital, and program use. These quasi-endowment funds follow the spending policy of Museum endowments as discussed in Note 14.

#### Net Assets With Donor Restrictions

Net assets included in the net assets with donor restrictions classification have been received from donors that have restricted the use of the funds for specific purposes and/or a future period or for investment in perpetuity. Temporary restrictions expire when obligations are incurred to fulfill the specified purpose or when time restrictions are satisfied.

# THE CHRYSLER MUSEUM, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

### Note 12. Net Assets (Continued)

The Museum's net assets with donor restrictions at June 30, 2021 and 2020, classified as to purpose, are as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purpose and/or passage of time:		
Accessions	\$ 636,049	\$ 400,153
Capital improvements	6,475,485	3,369,990
Program and supporting services	12,431,422	8,573,853
Time-restricted pledges	<u>2,552,589</u>	<u>1,258,289</u>
<b>Total subject to expenditure for specific purpose and/or passage of time</b>	<b><u>22,095,545</u></b>	<b><u>13,602,285</u></b>
Endowments:		
Unappropriated endowment investment earnings	\$ 24,488,744	\$ 11,650,655
Original donor restricted gift amounts to be maintained in perpetuity	<u>35,569,976</u>	<u>34,261,908</u>
<b>Total endowment</b>	<b><u>60,058,720</u></b>	<b><u>45,912,563</u></b>
<b>Total net assets with donor restrictions</b>	<b><u>\$ 82,154,265</u></b>	<b><u>\$ 59,514,848</u></b>

The above designated and restricted net assets aggregated by purpose at June 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Accessions	\$ 14,863,590	\$ 11,600,538
Capital improvements	11,700,027	7,279,456
Program and supporting services	86,216,465	63,636,485
Time-restricted pledges	<u>2,552,589</u>	<u>1,258,289</u>
<b>Total net assets with designations and donor restrictions</b>	<b><u>\$ 115,332,671</u></b>	<b><u>\$ 83,774,768</u></b>

# THE CHRYSLER MUSEUM, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### Note 13. Net Assets Released From Restrictions

Net assets released from restrictions during the years ended June 30, 2021 and 2020 by incurring expenses satisfying the restricted purposes, or by time or the occurrence of events specified by donors are summarized as follows:

	<u>2021</u>	<u>2020</u>
Operational Support		
Program and supporting services	\$ 1,852,853	\$ 1,712,726
Non-operating Support		
Accessions	267,340	461,329
Capital improvements	703,136	1,849,085
<b>Total non-operating support</b>	<b>970,476</b>	<b>2,310,414</b>
<b>Total net assets released from restrictions</b>	<b>\$ 2,823,329</b>	<b>\$ 4,023,140</b>

### Note 14. Endowments

The Museum's endowment consists of approximately 50 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Governing Board's Interpretation of Law: The Board has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Museum classifies net assets with donor restrictions as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (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, and (d) unappropriated investment earnings on donor-restricted endowment funds.

Investment Return Objectives and Risk Parameters: The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity or for a donor-specified period, as well as Board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to (a) provide for a spending rate that keeps pace with inflation while protecting and growing the real value of the funds corpus, (b) attain an average annual real return, net of fees, of at least 5.0% over the long term, as measured over rolling five-year periods, and (c) control risks that may hinder achievement of these goals.

# THE CHRYSLER MUSEUM, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

### Note 14. Endowments (Continued)

*Spending Policy:* The Museum utilizes a total return, spending-rate policy in order to provide portfolio management flexibility, preserve the purchasing power (real value) of the funds, and aid the Museum's budgetary process. To meet these objectives, the Museum focuses on the overall return on investments, including interest, dividends, and net investment appreciation. For the Museum's budgeting requirements, the Museum is limited to using up to its spending rate, currently 5.00% (4.70% for the year ended June 30, 2020), applied to a five-year moving average of the applicable Board designated and donor-restricted funds' fair value, to determine how much of the total return will be used for each year's budget. If in any one year the full spending rate is not expended, the unspent portion carries forward and is added to the subsequent year's spending rate. Income in excess of the spending-rate formula is thus available, subject to original gift instruments, to maintain or increase the real value of the funds.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds could fall below the level that the donor or UPMIFA requires the Museum to retain as a fund of perpetual duration. In accordance with U.S. GAAP, a deficiency of this nature is reported in net assets with donor restrictions. As of June 30, 2021 and 2020, no such deficiency existed.

Endowment funds by net asset class at June 30, 2021 and 2020 are as follows:

	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
Donor-restricted	\$ -	\$ 60,058,720	\$ 60,058,720
Board designated	32,834,534	-	32,834,534
<b>Total endowment funds</b>	<b>\$ 32,834,534</b>	<b>\$ 60,058,720</b>	<b>\$ 92,893,254</b>
	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
Donor restricted	\$ -	\$ 45,912,563	\$ 45,912,563
Board designated	24,122,535	-	24,122,535
<b>Total endowment funds</b>	<b>\$ 24,122,535</b>	<b>\$ 45,912,563</b>	<b>\$ 70,035,098</b>

# THE CHRYSLER MUSEUM, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### Note 14. Endowments (Continued)

Changes in endowment funds by net asset class at June 30, 2021 and 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Totals
Balance, June 30, 2019	\$ 22,510,649	\$ 46,085,928	\$ 68,596,577
Additions	1,523,220	576,353	2,099,573
Investment income	714,940	1,122,340	1,837,280
Expenditures	(626,274)	(1,872,058)	(2,498,332)
Balance, June 30, 2020	24,122,535	45,912,563	70,035,098
<b>Additions</b>	<b>39,211</b>	<b>1,308,069</b>	<b>1,347,280</b>
<b>Investment income</b>	<b>8,994,883</b>	<b>14,763,218</b>	<b>23,758,101</b>
<b>Expenditures</b>	<b>(322,095)</b>	<b>(1,925,130)</b>	<b>(2,247,225)</b>
Balance, June 30, 2021	<u>\$ 32,834,534</u>	<u>\$ 60,058,720</u>	<u>\$ 92,893,254</u>

Included in endowment funds with donor restrictions were \$1,237,731 and \$975,040 of net promises to give at June 30, 2021 and 2020, respectively.

### Note 15. Concentration of Credit Risk

At various times during the years presented, the Museum may have on deposit with a single financial institution more than \$250,000, which is the basic limit currently insured by the Federal Deposit Insurance Corporation (FDIC).

Credit risks related to pledges receivable are concentrated as most of the receivables are due from individuals and businesses located in the same geographic region.

The Museum received 30.8% and 27.9% of its total support and revenue from the City of Norfolk for the years ended June 30, 2021 and 2020.

### Note 16. Related Party Transactions

The City of Norfolk appoints 15 out of 28 of the Museum's board of trustees and is considered a related party. Transactions with the City of Norfolk are disclosed in Notes 2 and 15.

The Museum's note payable is held by a financial institution that employs a president that serves as a trustee of the Museum.

Trustee contributions to the Museum totaled approximately \$215,588 and \$277,552 for the years ended June 30, 2021 and 2020, respectively.

# THE CHRYSLER MUSEUM, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### Note 17. Commitments

Effective June 1, 2019, the Museum renewed a lease agreement with Old Dominion University for library storage on Monarch Way in Norfolk, Virginia. The lease is for five years terminating on May 31, 2024 with a base rent of \$1 for the term of the lease. Additional occupancy costs will be billed for maintenance, repairs, utilities and other costs estimated annually at \$20,767, with a two percent increase each year and is due monthly. Future minimum payments pursuant to this agreement for years ending June 30 are as follows:

Year	Amount
2022	\$ 21,642
2023	22,075
2024	20,606
	<u>\$ 64,323</u>

### Note 18. Payroll Protection Program

The Museum met the criteria to apply for a U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) loan in 2020 and 2021. The Museum received a loan of \$927,600 during the year ended June 30, 2020 and this loan was forgiven by the SBA. The Museum received a second PPP loan on March 3, 2021 totaling \$927,600 which was forgiven by the SBA on September 28, 2021. The Museum has elected to account for the funding as a conditional contribution by applying Accounting Standard Codification (ASC) Topic 958-605, *Revenue Recognition*. The PPP loans were recognized in full as grant revenue during the years ending June 30, 2021 and 2020 as all conditions for the forgiveness of the PPP loan were met by those dates.

### Note 19. Employee Retention Credit

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed into law. The CARES Act is a relief package intended to assist many aspects of the American economy. One provision of the CARES Act, the employee retention credit acts as fully refundable credits against the employer portion of Social Security taxes based on the amount of qualified wages that an eligible employer has incurred. Contributions to qualified medical plans also constitute creditable amounts. For the year ended June 30, 2021, the Museum recognized \$719,892 as a refundable payroll tax credit asset and income in connection with the employee retention credit program.



# THE CHRYSLER MUSEUM, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### **Note 20. Risks and Uncertainties**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a global pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate its spread have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Museum operates.

The CARES Act was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. As a result of the CARES Act, the Museum received grant income from the Paycheck Protection Program (see Note 18) and has accrued a receivable related to the Employee Retention Credit (see Note 19). The Museum operates within the Commonwealth of Virginia, and closely monitors and adheres to guidelines from the Governor's Office with respect to travel, public safety and operating during the pandemic.

The adverse conditions associated with the COVID-19 global pandemic are expected to last through fiscal year 2022 and perhaps beyond. The Museum has experienced and continues to experience significant negative financial affects related to the global pandemic. The Museum experienced a reduction in support from the City of Norfolk totaling \$732,012 during the year ended June 30, 2020. Subsequent to June 30, 2020, the City of Norfolk reduced its an annual appropriation to the Museum for the year ending June 30, 2021 by \$327,941. As the Museum was prohibited from welcoming visitors for several months and its ability to accommodate large groups due to Commonwealth of Virginia's directives, the Museum has also experienced a significant loss of revenue from event rentals, classes, programs, museum store sales and the donation box. Due to the economic downturn associated with the coronavirus, the Museum has also experienced a reduction of philanthropic support from some businesses and individuals. While management has taken actions to mitigate the economic impact on the Museum of the COVID-19 global pandemic, the impact of the global pandemic on the Museum in the near future remains unknown.