



CHRYSLER MUSEUM *of* ART

FINANCIAL STATEMENTS

JUNE 30, 2022



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

Opinion

We have audited the financial statements of The Chrysler Museum, Incorporated (the Museum), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Museum as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 audit.

PBMares, LLP

Norfolk, Virginia
January 27, 2023

FINANCIAL STATEMENTS

THE CHRYSLER MUSEUM, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 23,226,212	\$ 9,422,123
Inventory	123,172	124,808
Other Assets	727,916	950,967
Employee Retention Credit Receivable	529,255	719,892
Promises to Give, net	7,170,594	3,872,821
Charitable Trusts	112,186	130,340
Investments	94,671,146	105,140,860
Property and Equipment, net	313,014	355,825
Total assets	\$ 126,873,495	\$ 120,717,636
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 725,030	\$ 284,047
Accrued expenses and other liabilities	612,448	814,950
Deferred revenue	280,946	284,528
Note payable	304,000	379,000
Total liabilities	1,922,424	1,762,525
Net Assets		
Without donor restrictions:		
Board designated	29,843,466	33,178,406
Undesignated	3,641,669	3,622,440
Total net assets without donor restrictions	33,485,135	36,800,846
With donor restrictions	91,465,936	82,154,265
Total net assets	124,951,071	118,955,111
Total liabilities and net assets	\$ 126,873,495	\$ 120,717,636

THE CHRYSLER MUSEUM, INCORPORATED

STATEMENT OF ACTIVITIES Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities:			
Support and revenue:			
City of Norfolk	\$ 2,615,718	\$ -	\$ 2,615,718
Contributions and other grants	1,195,402	-	1,195,402
Memberships	1,098,624	-	1,098,624
Earned income from auxiliary activities	840,670	-	840,670
Earned income from programming activities	611,665	-	611,665
Other income	98,743	-	98,743
Net assets released from restrictions	2,443,738	(2,443,738)	-
Transfer of board designated reserves	613,576	-	613,576
Total support and revenue	9,518,136	(2,443,738)	7,074,398
Operating Expenses:			
Program and auxiliary services:			
Program services - galleries, curatorial, education and exhibitions	7,038,850	-	7,038,850
Auxiliary services	623,257	-	623,257
Total program and auxiliary services	7,662,107	-	7,662,107
Supporting services:			
Fundraising	818,311	-	818,311
General and administrative	1,027,853	-	1,027,853
Total supporting services	1,846,164	-	1,846,164
Total operating expenses	9,508,271	-	9,508,271
Change in net assets from operating activities	9,865	(2,443,738)	(2,433,873)
Non-operating Activities:			
Investment loss	(2,436,864)	(5,973,826)	(8,410,690)
Contributions, non-operating	76,201	20,719,384	20,795,585
Non-operating expenses	(1,516,729)	-	(1,516,729)
Interest expense	(11,965)	-	(11,965)
Provision for uncollectible promises to give	-	(437,667)	(437,667)
Transfer of board designated reserves	(613,576)	-	(613,576)
Net assets released from restrictions	2,552,482	(2,552,482)	-
Change in net assets before collection items not capitalized	(1,940,586)	9,311,671	7,371,085
Accessions	(1,395,075)	-	(1,395,075)
Deaccession proceeds	19,950	-	19,950
Change in net assets	(3,315,711)	9,311,671	5,995,960
Net Assets, beginning of year	36,800,846	82,154,265	118,955,111
Net Assets, end of year	\$ 33,485,135	\$ 91,465,936	\$ 124,951,071

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
Paycheck 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
Total support and revenue	8,432,943	(1,852,853)	6,580,090
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
Total program and auxiliary services	6,695,596	-	6,695,596
Supporting services:			
Fundraising	1,006,671	-	1,006,671
General and administrative	718,556	-	718,556
Total supporting services	1,725,227	-	1,725,227
Total operating expenses	8,420,823	-	8,420,823
Change in net assets from operating activities	12,120	(1,852,853)	(1,840,733)
Non-operating Activities			
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)
Change in net assets before collection items not capitalized	10,304,689	22,639,417	32,944,106
Accessions	(614,776)	-	(614,776)
Change in net assets	9,689,913	22,639,417	32,329,330
Net Assets, beginning of year	27,110,933	59,514,848	86,625,781
Net Assets, end of year	\$ 36,800,846	\$ 82,154,265	\$ 118,955,111

THE CHRYSLER MUSEUM, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	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	\$ 282,364	\$ 16,766	\$ 299,130	\$ 52,352	\$ 3,881	\$ 56,233	\$ 355,363
Compensation and benefits	3,635,437	277,441	3,912,878	462,615	769,971	1,232,586	5,145,464
Computer services and equipment	101,340	16,865	118,205	14,727	2,784	17,511	135,716
Consulting and outside services	465,857	24,378	490,235	162,815	138,461	301,276	791,511
Cost of sales	-	196,865	196,865	-	-	-	196,865
Depreciation	39,382	3,996	43,378	6,866	11,884	18,750	62,128
Exhibition costs	745,885	-	745,885	-	-	-	745,885
Insurance	170,103	2,471	172,574	2,164	2,507	4,671	177,245
Miscellaneous	227,648	47,271	274,919	53,449	39,513	92,962	367,881
Repairs and maintenance	352,669	7,951	360,620	4,921	6,970	11,891	372,511
Supplies	251,144	11,456	262,600	3,371	5,881	9,252	271,852
Travel and entertainment	166,257	4,616	170,873	40,340	23,383	63,723	234,596
Utilities	600,764	13,181	613,945	14,691	22,618	37,309	651,254
Total	\$ 7,038,850	\$ 623,257	\$ 7,662,107	\$ 818,311	\$ 1,027,853	\$ 1,846,164	\$ 9,508,271

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
Total	\$ 6,223,955	\$ 471,641	\$ 6,695,596	\$ 1,006,671	\$ 718,556	\$ 1,725,227	\$ 8,420,823

THE CHRYSLER MUSEUM, INCORPORATED

STATEMENTS OF CASH FLOWS Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ 5,995,960	\$ 32,329,330
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Investment (income) loss	8,410,690	(27,925,791)
Depreciation	62,128	85,448
Contributions restricted for long-term use	(4,964,951)	(1,308,068)
Provision for uncollectible promises to give	437,667	-
Accessions	1,395,075	614,776
Deaccessions	(19,950)	-
Changes in certain assets and liabilities:		
Inventory and other assets	224,687	(480,617)
Promises to give	(4,112,030)	(1,268,334)
Employee retention credit receivable	190,637	(719,892)
Charitable trusts	18,154	(16,911)
Accounts payable, accrued expenses and deferred revenue	234,899	575,524
Net cash provided by operating activities	7,872,966	1,885,465
Cash Flows from Investing Activities:		
Purchases of investments	(13,520,286)	(5,071,228)
Proceeds from sales of investments	15,579,310	9,809,670
Payments for accessions	(1,395,075)	(614,776)
Proceeds from deaccessions	19,950	-
Purchases of property and equipment	(19,317)	(34,986)
Net cash provided by investing activities	664,582	4,088,680
Cash Flows from Financing Activities:		
Collection of contributions restricted for long-term use	5,341,541	1,028,466
Repayment of note payable	(75,000)	(232,332)
Net cash provided by financing activities	5,266,541	796,134
Increase in cash and cash equivalents	13,804,089	6,770,279
Cash and Cash Equivalents, beginning of year	9,422,123	2,651,844
Cash and Cash Equivalents, end of year	\$ 23,226,212	\$ 9,422,123
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 11,965	\$ 19,553

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

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 1.8 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

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, 2022 and 2021, the Museum's collection was insured at a level deemed appropriate by management.

In 2022, The Macon and Joan Brock Collection of American Art was pledged to the Museum. The collection was formed by longtime Museum supporter Joan Brock and her late husband Macon Brock. The gift includes 47 major works of American art, encompassing paintings, drawings, and prints by artists such as Mary Cassatt, Winslow Homer, John Singer Sargent, George Bellows, Childe Hassam and others. In 2023, eleven works of art from the Brock collection will be formally accessioned into the Museum's Permanent Collection, with the remainder to be formally given on a schedule to be determined. The gift of the collection will elevate the stature of the Museum's American art holdings and programs, making it a national leader in the exhibition, study, and appreciation of American art.

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.

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

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, 2022 and 2021, the Museum had \$15,610,763 and \$4,250,000, respectively, of conditional promises to give related to expanding the Museum and Glass Studio, which are not recorded on the June 30, 2022 and 2021 statements of financial position, respectively.

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, 2022 and 2021.

On, March 14, 2022, the City awarded the Museum \$15,000,000 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. No support from this arrangement has been received or recognized by the Museum as of June 30, 2022 and is included in conditional promises to give disclosed above.

Revenue recognition: The Museum has two forms of contribution revenue which are accounted for under Accounting Standards Codification (ASC) 958-605.

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.

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.

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

Note 2. Summary of Significant Accounting Policies (Continued)

Earned income from auxiliary activities consists 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. The opening balance of contract liabilities (deferred revenue) was \$241,087 as of June 30, 2020 and there were no opening balances for contract assets as of June 30, 2020.

Advertising: Advertising costs are charged to operations when incurred and totaled \$224,656 and \$199,355 for the years ended June 30, 2022 and 2021, 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

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 had net operating loss carryforwards at June 30, 2022 and 2021 of approximately \$184,000 and \$448,000, respectively, related to its unrelated business income. Due to the uncertainty related to the potential use of these net operating loss carryforwards, management has applied a full valuation allowance against the related deferred tax asset. For the years ended June 30, 2022 and 2021, approximately \$264,000 and \$408,000, respectively, 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, 2022, the Museum adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The adoption of this guidance did not have a significant impact on the Museum's financial statements.

New accounting pronouncements: In February 2016, the Financial Accounting Standards Board (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, although the Museum does not anticipate it will be material.

Subsequent events: Management has evaluated subsequent events through January 27, 2023, the date which the financial statements were available to be issued. Except as disclosed in Note 9 and below, there were no subsequent events requiring disclosure.

Subsequent to June 30, 2022, the Museum entered into a loan commitment agreement to obtain financing for future renovations and expansion. The loan commitment agreement provides for a loan up to \$20 million with a 10 year term and interest at AMERIBOR plus 1.75%, with a maximum rate of 4.5%. Monthly payments of interest only will be required for the first two years, with monthly payments of interest only and an annual principal curtailment of 1/8th of the loan balance in years 3 through 10 of the loan term. The loan will be secured by an assignment of securities owned by the Museum.

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

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>2022</u>	<u>2021</u>
Financial Assets at Year-end:		
Cash and cash equivalents	\$ 23,226,212	\$ 9,422,123
Charitable trusts	112,186	130,340
Investments	94,671,146	105,140,860
Promises to give	7,170,594	3,872,821
	<u>125,180,138</u>	<u>118,566,144</u>
Total financial assets at year-end	125,180,138	118,566,144
Less Amounts not Available to be Used within One Year:		
Financial assets included above with donor restrictions	91,465,936	82,154,265
Quasi endowment established by the Board for capital improvements	4,851,218	5,224,542
Quasi endowment established by the Board for art purchases	5,728,557	6,625,682
	<u>102,045,711</u>	<u>94,004,489</u>
Total not available to be used within one year	102,045,711	94,004,489
Add Other Amounts Available within One Year:		
Promises to give, time restrictions expire within one year	2,197,414	765,610
Spending rate appropriations on donor restricted endowment funds	1,824,666	1,955,416
	<u>4,022,080</u>	<u>2,721,026</u>
Total other amounts available within one year	4,022,080	2,721,026
Financial assets available for general expenditure within one year	\$ 27,156,507	\$ 27,282,681

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

Note 4. Promises to Give

Promises to give at June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Amounts due within one year	\$ 2,197,414	\$ 765,610
Amounts due in more than one year but less than five years	2,865,465	2,275,928
Amounts due in more than five years	<u>4,147,500</u>	<u>2,397,500</u>
Total promises to give	9,210,379	5,439,038
Less allowance for doubtful accounts	(455,494)	(267,827)
Less present value discount (ranging from 0.43% - 7.00%)	<u>(1,584,291)</u>	<u>(1,298,390)</u>
Total promises to give, net	<u>\$ 7,170,594</u>	<u>\$ 3,872,821</u>

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, 2022 and 2021, the Museum recorded liabilities to beneficiaries of the charitable gift annuities totaling \$41,466 and \$70,597, 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 \$428,885 and \$486,113 at June 30, 2022 and 2021, respectively, are included in investments.

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 6. Investments

Investments are stated at fair value (see Note 7 for more details) and consist of the following at June 30, 2022 and 2021:

	2022	2021
	Fair Value	Fair Value
Money market funds	\$ 4,339,830	\$ 2,548,290
Equities	30,234,437	39,185,704
U.S. Treasuries	5,774,019	5,669,949
Publicly traded fixed income securities	2,544,327	2,035,925
Securitized fixed income investments	1,806,897	1,869,651
Multi-strategy fund - The Richmond Fund L.P.	49,542,751	53,345,228
	94,242,261	104,654,747
Gift annuity investments	428,885	486,113
	\$ 94,671,146	\$ 105,140,860

Investment income (loss) for the years ended June 30, 2022 and 2021 consists of the following:

	2022	2021
Interest and dividends	\$ 1,017,924	\$ 993,057
Realized and unrealized gains (losses)	(8,903,925)	27,474,504
Investment management fees	(524,689)	(541,770)
	\$ (8,410,690)	\$ 27,925,791

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% of the Fund's total partners' capital at June 30, 2022 and 2021.

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, 2022 and 2021 was \$49,542,751 and \$53,345,228, respectively.

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 6. Investments (Continued)

The Fund's investments are diversified globally and by sector, and at June 30, 2022 and 2021 the Fund's assets consisted of the following:

	2022	2021
Investments in investment funds:		
Hedge funds	30.06 %	46.49 %
Private equity	31.91 %	24.38 %
Real assets	8.66 %	8.40 %
Real estate	0.00 %	2.39 %
	70.63 %	81.66 %
Investments in securities:		
Common and preferred stocks	17.35 %	4.43 %
Comingled funds	2.08 %	2.37 %
	19.43 %	6.80 %
Cash and cash equivalents and other assets	9.94 %	11.54 %
	100.00 %	100.00 %

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. Redemptions can be further delayed based on investee liquidity. At June 30, 2022 and 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, 2022 and 2021:

	2022				
	Level 1	Level 2	Level 3	NAV	Total
Assets					
Investments:					
Money market funds	\$ 4,339,828	\$ -	\$ -	\$ -	\$ 4,339,828
Equities	30,234,437	-	-	-	30,234,437
U.S. Treasuries	5,774,019	-	-	-	5,774,019
Publicly traded fixed income securities	965,751	1,578,578	-	-	2,544,329
Securitized fixed income investments	-	1,806,897	-	-	1,806,897
Multi-strategy fund - The Richmond Fund L.P.	-	-	-	49,542,751	49,542,751
Gift annuity investments:					
Bank deposits	79,486	-	-	-	79,486
Equity mutual funds	260,942	-	-	-	260,942
Fixed income mutual funds	88,457	-	-	-	88,457
Charitable trusts	-	-	112,186	-	112,186
Total assets at fair value	\$ 41,742,920	\$ 3,385,475	\$ 112,186	\$ 49,542,751	\$ 94,783,332
Liabilities					
Gift annuity liabilities	\$ -	\$ -	\$ 41,466	\$ -	\$ 41,466
Total liabilities at fair value	\$ -	\$ -	\$ 41,466	\$ -	\$ 41,466

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 7. Fair Value Measurements (Continued)

	2021				
	Level 1	Level 2	Level 3	NAV	Total
Assets					
Investments:					
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
Gift annuity investments:					
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
Liabilities					
Gift annuity liabilities	\$ -	\$ -	\$ 70,597	\$ -	\$ 70,597
Total liabilities at fair value	\$ -	\$ -	\$ 70,597	\$ -	\$ 70,597

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, 2022 and 2021.

For the valuation of certain fixed income investments at June 30, 2022 and 2021, 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, 2022 and 2021 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 2.93% and 1.02%, respectively, for the years ended June 30, 2022 and 2021. 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, 2022 and 2021.

	2022				
	Fair Value July 1, 2021	Net Realized and Unrealized Gains (Losses)	Purchases	Sales	Fair Value June 30, 2022
Charitable trusts assets	\$ 130,340	\$ (18,154)	\$ -	\$ -	\$ 112,186
Gift annuity liabilities	70,597	(13,900)	-	(15,231)	41,466

	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

The following summarizes investments in entities that calculate fair value based on NAV per share as of June 30, 2022 and 2021:

Description	2022				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period	
The Richmond Fund, L.P.	\$ 49,542,751	\$ -	Quarterly (with limitations as discussed in Note 6)	60 Days	
	<u>\$ 49,542,751</u>	<u>\$ -</u>			

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 as discussed in Note 6)	60 Days	
	<u>\$ 53,345,288</u>	<u>\$ -</u>			

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

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, 2022 and 2021, the General Partner utilized the practical expedient for a significant portion of 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

Note 8. Property and Equipment

Property and equipment at June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Furniture, fixtures and equipment	\$ 2,499,738	\$ 2,480,421
Less accumulated depreciation	<u>(2,186,724)</u>	<u>(2,124,596)</u>
Property and equipment, net	<u>\$ 313,014</u>	<u>\$ 355,825</u>

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, 2022 and 2021, the note payable balance outstanding was \$304,000 and \$379,000, respectively. The Museum will pay 79 monthly interest payments at 3.75% beginning in June 2016 calculated on the outstanding balance along with annual principal payments of \$1,500,000 beginning in January 2017. As of June 30, 2022, the Museum has made prepayments on the loan totaling \$270,884. 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. This loan was paid in full in September 2022.

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

<u>Year</u>	<u>Amount</u>
2023	<u>\$ 304,000</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 and is included in accrued expenses and other liabilities in the accompanying statements of financial position.

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

<u>Year</u>	<u>Amount</u>
2023	\$ 14,880
2024	<u>11,160</u>
Total future minimum capital lease payments	26,040
Less: Amounts representing interest	<u>(4,881)</u>
Present value of future minimum lease payments	<u>\$ 21,159</u>

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 10. Lease Payable (Continued)

The cost of the leased printers is \$65,708 and as of June 30, 2022 and 2021 the related accumulated depreciation was \$35,591 and \$24,640, 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 \$135,087 and \$151,620 in 2022 and 2021, 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, 2022 and 2021, classified as to purpose, as follows:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 3,641,669	\$ 3,622,440
Board designated:		
Accessions	5,728,557	6,625,682
Capital improvements	4,851,218	5,224,542
Program and supporting services	19,263,691	21,328,182
Total Board designated	29,843,466	33,178,406
Total net assets without donor restrictions	\$ 33,485,135	\$ 36,800,846

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, 2022 and 2021, classified as to purpose, are as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purpose and/or passage of time:		
Accessions	\$ 307,274	\$ 636,049
Capital improvements	16,844,776	6,475,485
Program and supporting services	10,346,657	12,431,422
Time-restricted pledges	<u>6,190,799</u>	<u>2,552,589</u>
Total subject to expenditure for specific purpose and/or passage of time	<u>33,689,506</u>	22,095,545
Endowments:		
Unappropriated endowment investment earnings	17,241,503	24,488,744
Original donor restricted gift amounts to be maintained in perpetuity	<u>40,534,927</u>	<u>35,569,976</u>
Total endowment	<u>57,776,430</u>	60,058,720
Total net assets with donor restrictions	<u>\$ 91,465,936</u>	\$ 82,154,265

The above designated and restricted net assets aggregated by purpose at June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Accessions	\$ 12,641,523	\$ 14,863,590
Capital improvements	21,695,991	11,700,027
Program and supporting services	80,781,086	86,216,465
Time-restricted pledges	<u>6,190,799</u>	<u>2,552,589</u>
Total net assets with designations and donor restrictions	<u>\$ 121,309,399</u>	\$ 115,332,671

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 13. Net Assets Released From Restrictions

Net assets released from restrictions during the years ended June 30, 2022 and 2021 by incurring expenses satisfying the restricted purposes, or by time or the occurrence of events specified by donors are summarized as follows:

	<u>2022</u>	<u>2021</u>
Operational Support		
Program and supporting services	\$ 2,443,738	\$ 1,852,853
Non-operating Support		
Accessions	916,697	267,340
Capital improvements	<u>1,635,785</u>	<u>703,136</u>
Total non-operating support	<u>2,552,482</u>	<u>970,476</u>
Total net assets released from restrictions	<u>\$ 4,996,220</u>	<u>\$ 2,823,329</u>

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, 5.00% for the years ended June 30, 2022 and 2021, respectively, 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. Funds with original gift values of \$3,961,450, fair values of \$3,263,658 and deficiencies of \$697,792 were reported in net assets with donor restrictions at June 30, 2022. As of June 30, 2021, no such deficiencies existed.

Endowment funds by net asset class at June 30, 2022 and 2021 are as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Totals
Donor-restricted	\$ -	\$ 57,776,430	\$ 57,776,430
Board designated	29,660,790	-	29,660,790
Total endowment funds	\$ 29,660,790	\$ 57,776,430	\$ 87,437,220
	2021		
	Without Donor Restrictions	With Donor Restrictions	Totals
Donor restricted	\$ -	\$ 60,058,720	\$ 60,058,720
Board designated	32,834,534	-	32,834,534
Total endowment funds	\$ 32,834,534	\$ 60,058,720	\$ 92,893,254

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 14. Endowments (Continued)

Changes in endowment funds by net asset class at June 30, 2022 and 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Totals
Balance, June 30, 2020	\$ 24,122,535	\$ 45,912,563	\$ 70,035,098
Additions	39,211	1,308,069	1,347,280
Investment income	8,994,883	14,763,218	23,758,101
Expenditures	(322,095)	(1,925,130)	(2,247,225)
Balance, June 30, 2021	32,834,534	60,058,720	92,893,254
Additions	240,271	4,964,951	5,205,222
Investment losses	(2,422,426)	(4,782,628)	(7,205,054)
Expenditures	(991,589)	(2,464,613)	(3,456,202)
Balance, June 30, 2022	<u>\$ 29,660,790</u>	<u>\$ 57,776,430</u>	<u>\$ 87,437,220</u>

Included in endowment funds with donor restrictions were \$897,297 and \$1,237,731 of net promises to give at June 30, 2022 and 2021, 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 37.0% and 39.5% of its total support and revenue from operating activities from the City of Norfolk for the years ended June 30, 2022 and 2021.

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 \$4,556,355 and \$495,088 for the years ended June 30, 2022 and 2021, respectively.

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

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
2023	\$ 22,075
2024	20,606
	<u>\$ 42,681</u>

Note 18. Paycheck Protection Program

The Museum met the criteria to apply for a U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) loan in 2021. The Museum received a second round 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 loan was recognized in full as grant revenue during the year ended June 30, 2021 as all conditions for the forgiveness of the PPP loan were met by that date.

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 an employee retention credit receivable and income in connection with the employee retention credit program. No employee retention credit income was recognized for the year ended June 30, 2022 and employee retention credit receivables totaled \$529,255 and \$719,892 at June 30, 2022 and 2021, respectively.