

The background of the document is a photograph of a modern interior space. It features a series of large, floor-to-ceiling windows on the left side, offering a view of a green landscape. The ceiling is made of exposed concrete beams, and the floor is also concrete. Several large, rectangular, metallic-looking pillars or partitions are arranged in a row, receding into the distance. The lighting is bright, casting long shadows on the floor.

THE CHINATI FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

*(With Independent Auditor's Report Thereon)*

# THE CHINATI FOUNDATION

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
of **The Chinati Foundation**

We have audited the accompanying financial statements of The Chinati Foundation (the Museum), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

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

A handwritten signature in cursive script that reads "Doeren Mayhew".

Houston, Texas  
November 13, 2020

# THE CHINATI FOUNDATION

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents (Note 11)	\$ 1,897,635	\$ 1,699,400
Contributions receivable (Notes 3 and 11)	505,000	69,500
Inventory	138,099	138,982
Prepaid expenses and other assets	129,078	56,445
Endowment investments (Note 4)	15,295,286	13,354,558
Contributions receivable - collection items	-	20,000
Property and equipment, net (Notes 5 and 6)	1,211,313	999,673
Collections (Note 12)	-	-
Total assets	<u>\$ 19,176,411</u>	<u>\$ 16,338,558</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 93,131	\$ 41,563
Accrued expenses	142,688	126,399
Debt (Note 6)	118,793	136,024
Total liabilities	<u>354,612</u>	<u>303,986</u>
Net assets:		
Without donor restrictions:		
Undesignated	643,138	696,075
Board designated for specified purpose (Note 7)	491,380	449,047
Board designated endowments (Note 9)	280,857	250,000
Underwater Board designated endowments (Note 9)	-	(14,321)
Invested in property and equipment, net of related debt	1,092,520	863,649
Total without donor restrictions	<u>2,507,895</u>	<u>2,244,450</u>
With donor restrictions:		
Time restricted for future periods (Note 8)	-	25,000
Purpose restricted (Note 8)	3,076,482	623,312
Perpetual in nature (Note 9)	13,237,422	13,237,422
Underwater endowments (Note 9)	-	(95,612)
Total with donor restrictions	<u>16,313,904</u>	<u>13,790,122</u>
Total net assets	<u>18,821,799</u>	<u>16,034,572</u>
Total liabilities and net assets	<u>\$ 19,176,411</u>	<u>\$ 16,338,558</u>

See accompanying notes to financial statements.

# THE CHINATI FOUNDATION

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support:						
Contributions and grants (Note 11)	\$ 1,267,017	\$ 1,674,157	\$ 2,941,174	\$ 1,302,813	\$ 968,544	\$ 2,271,357
Admissions	375,516	-	375,516	375,523	-	375,523
Memberships	167,358	-	167,358	189,300	-	189,300
Museum store sales, net of cost of goods sold	160,250	-	160,250	79,757	-	79,757
Other revenue	45,374	-	45,374	54,295	-	54,295
Net assets released from restrictions for operating expenses (Note 8)	1,551,652	(1,551,652)	-	1,204,156	(1,204,156)	-
Total operating revenue and support	3,567,167	122,505	3,689,672	3,205,844	(235,612)	2,970,232
Operating expenses:						
Program services:						
Conservation	409,905	-	409,905	381,260	-	381,260
Curatorial, events and scholarship	615,748	-	615,748	708,328	-	708,328
Education	217,620	-	217,620	213,374	-	213,374
Visitor services	460,535	-	460,535	476,829	-	476,829
Strategic initiatives	558,271	-	558,271	120,085	-	120,085
Total program services	2,262,079	-	2,262,079	1,899,876	-	1,899,876
Supporting services:						
Administrative	454,548	-	454,548	416,943	-	416,943
Fundraising	635,871	-	635,871	606,013	-	606,013
Total operating expenses before depreciation and amortization	3,352,498	-	3,352,498	2,922,832	-	2,922,832
Operating surplus (deficit) before depreciation and amortization	214,669	122,505	337,174	283,012	(235,612)	47,400
Depreciation and amortization	64,766	-	64,766	64,691	-	64,691
Excess (deficit) of operating revenue and support over operating expenses	149,903	122,505	272,408	218,321	(235,612)	(17,291)
Nonoperating revenue, support and expenses:						
Dividends and interest	26,934	449,795	476,729	20,230	491,133	511,363
Realized and unrealized (loss) gain on investments	38,272	2,070,425	2,108,697	(19,000)	(1,101,376)	(1,120,376)
Investment management fees	(70,607)	-	(70,607)	(61,211)	-	(61,211)
Net assets released from restrictions for acquisition of collection items (Note 8)	49,194	(49,194)	-	14,674	(14,674)	-
Net assets released from restrictions for management fees (Note 8)	69,749	(69,749)	-	61,146	(61,146)	-
Change in net assets	263,445	2,523,782	2,787,227	234,160	(921,675)	(687,515)
Net assets at beginning of year	2,244,450	13,790,122	16,034,572	2,010,290	14,711,797	16,722,087
Net assets at end of year	<u>\$ 2,507,895</u>	<u>\$ 16,313,904</u>	<u>\$ 18,821,799</u>	<u>\$ 2,244,450</u>	<u>\$ 13,790,122</u>	<u>\$ 16,034,572</u>

See accompanying notes to financial statements.

# THE CHINATI FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019

	Program Services						Supporting Services		Grand Total
	Conservation	Curatorial, Events and Scholarship	Education	Visitor Services	Strategic Initiatives	Total	Administrative	Fundraising	
Advertising	\$ -	\$ 5,243	\$ 1,265	\$ 10,325	\$ 814	\$ 17,647	\$ 664	\$ -	\$ 18,311
Automobile	6,363	5,938	912	137	139	13,489	870	156	14,515
Catering	-	-	-	10,121	-	10,121	-	585	10,706
Contract services	15,821	94,689	4,245	317	5,433	120,505	14,832	14,454	149,791
Credit card processing fees	-	2,833	-	28,423	1,044	32,300	-	5,899	38,199
Depreciation	24,045	19,687	2,292	5,647	511	52,182	11,785	799	64,766
Insurance	26,158	25,358	4,000	17,629	992	74,137	5,740	1,841	81,718
Interest	3,874	3,874	-	-	-	7,748	-	-	7,748
Maintenance	11,012	10,861	1,332	162	127	23,494	1,026	183	24,703
Member benefit items	-	-	-	-	-	-	-	9,770	9,770
Merchandise cost	-	-	-	49,171	-	49,171	-	-	49,171
Miscellaneous	1,645	851	375	1,652	118	4,641	11,260	7,601	23,502
Office expense	6,984	6,048	3,362	6,926	2,421	25,741	10,031	18,772	54,544
Postage, freight and shipping	-	8,326	41	1,389	3,047	12,803	-	10,531	23,334
Printing	-	29,931	1,957	2,191	66,220	100,299	877	4,571	105,747
Professional fees	16,209	3,543	2,274	2,962	210,059	235,047	68,954	166,584	470,585
Rent	-	14,073	3,264	4,597	2	21,936	261	5,553	27,750
Salaries, taxes and benefits	280,959	324,016	159,729	361,942	245,689	1,372,335	271,681	359,766	2,003,782
Supplies and materials	25,893	24,146	19,160	1,562	5,643	76,404	1,591	953	78,948
Telephone	2,128	1,652	1,441	1,876	940	8,037	3,777	2,344	14,158
Travel and entertainment	4,961	42,462	9,480	1,079	15,222	73,204	54,139	22,543	149,886
Utilities	7,898	11,904	4,783	7,245	361	32,191	8,845	3,765	44,801
Total expenses by function	433,950	635,435	219,912	515,353	558,782	2,363,432	466,333	636,670	3,466,435
Less: gift shop cost of goods sold included with revenues on the statement of activities	-	-	-	(49,171)	-	(49,171)	-	-	(49,171)
Total expenses included in the expense section on the statement of activities	<u>\$ 433,950</u>	<u>\$ 635,435</u>	<u>\$ 219,912</u>	<u>\$ 466,182</u>	<u>\$ 558,782</u>	<u>\$ 2,314,261</u>	<u>\$ 466,333</u>	<u>\$ 636,670</u>	<u>\$ 3,417,264</u>

See accompanying notes to financial statements.



# THE CHINATI FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2018

	Program Services						Supporting Services		Grand Total
	Conservation	Curatorial, Events and Scholarship	Education	Visitor Services	Strategic Initiatives	Total	Administrative	Fundraising	
Advertising	\$ 350	\$ 9,126	\$ 1,710	\$ 9,580	\$ 1,214	\$ 21,980	\$ 4,231	\$ 1,287	\$ 27,498
Automobile	6,659	6,461	1,176	149	118	14,563	947	244	15,754
Catering	-	-	-	17,321	-	17,321	-	-	17,321
Contract services	23,910	105,407	5,109	3,921	9,666	148,013	1,436	13,736	163,185
Credit card processing fees	-	1,412	-	28,494	-	29,906	146	6,222	36,274
Depreciation	5,876	43,104	3,002	6,248	57	58,287	5,473	931	64,691
Insurance	27,441	26,772	3,968	15,010	232	73,423	6,217	1,672	81,312
Interest	-	9,247	-	-	-	9,247	-	-	9,247
Maintenance	8,237	7,986	984	186	114	17,507	914	164	18,585
Member benefit items	-	-	-	-	-	-	-	17,130	17,130
Merchandise cost	-	-	-	50,947	-	50,947	-	-	50,947
Miscellaneous	1,464	2,582	3,071	4,005	509	11,631	9,518	742	21,891
Office expense	4,505	7,188	2,830	13,822	876	29,221	10,620	27,596	67,437
Printing	80	33,990	1,296	1,620	5,156	42,142	70	5,889	48,101
Professional fees	7,808	9,135	3,349	4,575	48,571	73,438	55,509	91,030	219,977
Rent	-	11,788	3,208	2,784	-	17,780	970	4,490	23,240
Salaries, taxes and benefits	279,848	381,425	157,932	361,948	51,877	1,233,030	253,686	366,980	1,853,696
Supplies and materials	15,704	17,434	18,376	1,869	792	54,175	2,320	1,674	58,169
Telephone	2,980	1,883	2,048	2,695	676	10,282	5,410	2,695	18,387
Travel and entertainment	657	55,494	4,172	1,887	-	62,210	56,062	59,973	178,245
Utilities	1,617	20,998	4,145	6,963	284	34,007	8,887	4,489	47,383
Total expenses by function	387,136	751,432	216,376	534,024	120,142	2,009,110	422,416	606,944	3,038,470
Less: gift shop cost of goods sold included with revenues on the statement of activities	-	-	-	(50,947)	-	(50,947)	-	-	(50,947)
Total expenses included in the expense section on the statement of activities	<u>\$ 387,136</u>	<u>\$ 751,432</u>	<u>\$ 216,376</u>	<u>\$ 483,077</u>	<u>\$ 120,142</u>	<u>\$ 1,958,163</u>	<u>\$ 422,416</u>	<u>\$ 606,944</u>	<u>\$ 2,987,523</u>

See accompanying notes to financial statements.



# THE CHINATI FOUNDATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,787,227	\$ (687,515)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	64,766	64,691
Realized and unrealized (gain) loss on investments	(2,108,697)	1,120,376
(Increase) decrease in assets:		
Receivables	(435,500)	90,168
Inventory	883	13,278
Prepaid expenses and other assets	(72,633)	(9,800)
Increase (decrease) in liabilities:		
Accounts payable	51,568	(33,602)
Accrued expenses	16,289	222
Net cash provided by operating activities	<u>303,903</u>	<u>557,818</u>
Cash flows from investing activities:		
Purchase of property and equipment	(276,406)	(61,076)
Purchase of investments	(665,912)	(4,193,718)
Sales of investments	849,714	4,116,301
Net cash used by investing activities	<u>(92,604)</u>	<u>(138,493)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for capital expenditure and collection items	20,000	114,500
Principal payments on debt	(17,231)	(16,180)
Net cash provided by financing activities	<u>2,769</u>	<u>98,320</u>
Net increase in cash, cash equivalents and restricted cash	214,068	517,645
Cash, cash equivalents and restricted cash at beginning of year	<u>2,466,189</u>	<u>1,948,544</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 2,680,257</u>	<u>\$ 2,466,189</u>
Supplemental disclosures of cash flow information -		
Cash paid for interest	<u>\$ 7,748</u>	<u>\$ 9,247</u>

See accompanying notes to financial statements.

**THE CHINATI FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**Note 1 - Organization**

The Chinati Foundation (the Museum) is a not-for-profit museum for contemporary and modern art, created and founded by the late artist Donald Judd. The Museum's mission is to present a selection of work by a limited number of distinguished artists, with each work installed permanently and according to the artists' specifications. The emphasis is on works in which art and the surrounding landscape are inextricably linked. The majority of the collection is on permanent display in exhibition spaces protected and preserved by the Museum on the site of the former Fort D. A. Russell in the town of Marfa, Texas.

In addition to maintaining and preserving the collections, the Museum supports a broad range of educational programs that include special exhibitions, artists in residence, university and college internships, student and family art classes and workshops, lectures and performances, and regular publications. In an effort to translate its vision into practice, the Museum undertakes a number of "strategic initiatives". These discretionary projects are of finite duration and occur outside of the Museum's normal day-to-day activities. In 2018, the Museum's strategic initiatives included completion of a Master Plan that outlined actions, including funding needed, to provide a stable future for the Museum's collections. In 2019, the strategic initiatives included placing the Master Plan into action by securing funding, completing an ADA facility assessment, launching of a new website, formal cataloguing of the Museum's archives, and working on the publication of both the Robert Irwin installation book and the 2<sup>nd</sup> edition of *Chinati: The Vision of Donald Judd* collection handbook.

**Note 2 - Significant Accounting Policies**

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Represents net assets that are available for operations and which are not otherwise limited by donor restriction. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees (the Board). As of December 31, 2019 and 2018, the Board has designated net assets for a specific purpose as described in Note 7. The Board has also designated net assets as funds functioning as an endowment, whereby the principal of these funds is invested and the income made available for use by the Museum in accordance with the endowment's spending policy as described in Note 9.

*Net Assets With Donor Restrictions* - Represents net assets subject to donor-imposed restrictions on the expenditure or use of the contributed assets. Some donor-imposed restrictions are temporary in nature, such as those that will be met by either action or passage of time. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity for the purpose of generating investment income to fund operations or maintain art installations.

**THE CHINATI FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**Note 2 - Significant Accounting Policies (Continued)**

Basis of Accounting (Continued)

Revenues are reported as increases in net assets without donor restrictions unless the use of the related asset is limited by donor-imposed restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received. Absent donor stipulations regarding how long the donated assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired assets are placed in service. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

When the donor-imposed restriction expires or is satisfied, the net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. Reclassifications from net assets with donor restrictions occur even if the restricted contributions are received and spent within the same year.

Measure of Operations

The Museum includes in its measure of operations all revenues and expenses that are an integral part of its program services and supporting activities. These are earned and incurred as part of the regular business operations. Museum operations do not include contributions designated for long term investment, capital expenditures, permanent collection purchases, investment income or contributions restricted in perpetuity. Net assets released from restrictions are reported as operating and non-operating according to the nature of the expense. Net assets released from restrictions for operating expenses includes support for operating activities that is generated from the Museum's endowment and appropriated in accordance with the Museum's spending policy.

Cash, Cash Equivalents and Restricted Cash

For purposes of the Statement of Cash Flows, investments with original maturities of less than three months when purchased and money market funds are considered to be cash equivalents unless held for long-term investment. Uninvested cash of donor-restricted endowment funds that are perpetual in nature is reported within long-term investments.

The following is a reconciliation of cash, cash equivalents and restricted cash reported within the Statement of Financial Position to the amount shown within the Statement of Cash Flows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,897,635	\$ 1,699,400
Restricted cash recorded within endowment investments	<u>782,622</u>	<u>766,789</u>
Total cash, cash equivalents and restricted cash	<u>\$ 2,680,257</u>	<u>\$ 2,466,189</u>

**THE CHINATI FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**Note 2 - Significant Accounting Policies (Continued)**

Contributions Receivable

Contributions receivable are recorded as revenue in the year they are pledged, unless they contain conditions. Receivables that are expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are discounted to present value, if such discount would be material.

The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and economic conditions. Receivables are charged against the allowance when management determines that the receivable will not be collected. Subsequent recoveries, if any, are credited to the allowance. At December 31, 2019 and 2018, there was no allowance for doubtful accounts.

Inventory

Inventory consists of program-related merchandise held for sale in the gift shop and items that are distributed to Museum members or significant contributors. Merchandise inventory has been recorded at the lower of average cost or net realizable value.

Investments and Investment Income

Investments are reported at fair value as discussed in Note 4. Investment income is reported in the Statement of Activities and Changes in Net Assets as an increase in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions. Investment income whose use is restricted by the donor is reported as an increase in net assets with donor restrictions until expended in accordance with donor-imposed restrictions. Investment income is reported net of investment related expenses.

Purchases and sales of investments are recorded on a trade date basis. Gains and losses on the sale of securities are based on the difference between the sale price and the average historical cost basis for purchased securities or the fair market value at the date of receipt for securities received by donation.

Property and Equipment

Property and equipment are recorded at cost, if purchased. Donated property and equipment are recorded at fair value at the date of donation. Expenditures for major acquisitions and improvements over \$500 are capitalized. Expenditures for maintenance and repairs that do not extend the useful life of the asset are expensed as incurred. Depreciation is calculated on the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Life</u>
Buildings	39-40 years
Improvements	10 years
Furniture, fixtures and equipment	5-12 years
Automobiles	5 years

**THE CHINATI FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**Note 2 - Significant Accounting Policies (Continued)**

Collections

In accordance with accounting policies generally followed by art museums, the value of the Museum's collections, which since the Museum's inception have either been donated or constructed with Museum funds, has been excluded from the Statement of Financial Position and gifts of art objects are excluded from revenue in the Statements of Activities and Changes in Net Assets. Purchases of collection items are recorded as decreases in net assets without donor restrictions on the Statement of Activities and Changes in Net Assets in the year in which the items are acquired and placed in service. If the assets used to purchase the collection items are restricted by donors, such amount is released from net assets with donor restrictions at the time the collection item is acquired and placed in service.

Revenue Recognition

*Contributions* are recognized as revenue when cash, securities or other assets; an unconditional commitment to give; or a notification of a beneficial interest is received. Contributed securities are recorded at fair value on the date of donation. Contributed materials are recorded at their estimated fair value when received. Contributed property and equipment are recorded at estimated fair value at the date of donation.

*Conditional promises to give*, that is, those with a measurable performance or other barriers, and a right of return, are not recognized as revenue until the conditions on which they depend have been met.

*Contributed services* that meet the revenue recognition requirements of GAAP are recorded at estimated fair value when received. To be recognized as revenue, the donated services must either (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the years ended December 31, 2019 and 2018, the Museum received \$114,150 and \$12,200 in contributed legal services, respectively.

*Admissions* are recognized as revenue at the point in time when the related Museum tours have been provided.

*Memberships* are comprised of an exchange element based on the value of the benefits provided, and a contribution element which represents the difference between the total membership fees paid and the fair value of the exchange element. Memberships are for a one-year period and provide various benefits depending on the membership level. All memberships include unlimited admission to the Museum, a discount for purchases made at the Museum's store, access to discounted tickets for certain events, and other items such as receipt of the annual newsletter and a member t-shirt. Certain levels of membership include additional benefits such as the receipt of a limited-edition print and access to private tours. The determination of the fair value of the benefits provided within the membership includes an assessment of expected utilization. The Museum recognizes revenue for the contribution portion upon the sale of the membership and utilizes the output method for recognizing the exchange transactions. Memberships are not refundable.

*Museum store sales* are recorded at the time of purchase.

**THE CHINATI FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**Note 2 - Significant Accounting Policies (Continued)**

Advertising Costs

The Museum uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2019 and 2018 was approximately \$18,300 and \$27,500, respectively.

Functional Allocation of Expenses

The Statement of Functional Expenses presents expenses by function and natural classification. The Museum's programs include conservation; curatorial, events and scholarship; education; visitor services; and strategic initiatives. Supporting services include fundraising and management and general administrative activities. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Expenses that are attributable to more than one functional activity are allocated among the activities benefited. Salaries and related costs are allocated on the basis of estimated time and effort expended, while other types of expenses are allocated based upon usage or other equitable methods.

Income Tax Status

The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business activities. The Museum records charges for uncertain tax positions when they are considered probable. Based on its evaluation, the Museum has concluded that there are no significant uncertain tax positions requiring recognition or disclosure in the financial statements. The Museum is subject to routine examinations of its returns; however, there are no examinations for any tax periods currently in progress. The Museum is no longer subject to income tax examinations by taxing authorities for the years before 2016.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform with the current year presentation.

**THE CHINATI FOUNDATION**  
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**Note 2 - Significant Accounting Policies (Continued)**

Changes in Accounting Principles

On January 1, 2019, the Museum adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, and all related amendments (collectively, ASC 606) using the modified retrospective method. ASC 606 requires the recognition of revenue when promised goods or services are transferred to customers or clients in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The adoption of ASC 606 resulted in no significant changes to the Museum's financial reporting. Accordingly, no adjustment to beginning net assets was necessary.

On January 1, 2019, the Museum adopted ASU No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* using the modified prospective method. This ASU improved the clarity on existing guidance for the determination of exchange transactions and distinguishing between conditional and unconditional contributions. The adoption of this ASU resulted in no significant changes to the Museum's financial reporting.

On January 1, 2019, the Museum adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, and as such, has appropriately classified restricted cash as a cash and cash equivalent in the Statement of Cash Flows. Reclassifications were made to the previously reported fiscal year 2018 cash flow amounts to conform with the current year presentation.

**Note 3 - Contributions Receivable**

Contributions receivable consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Amounts to be collected within one year	\$ 105,000	\$ 79,500
Amounts to be collected one to five years	<u>400,000</u>	<u>10,000</u>
Total contributions receivable	<u>\$ 505,000</u>	<u>\$ 89,500</u>

Contributions receivable appears as follows in the Statement of Financial Position:

	<u>2019</u>	<u>2018</u>
Contributions receivable	\$ 505,000	\$ 69,500
Contributions receivable - collection items	<u>-</u>	<u>20,000</u>
Total contributions receivable	<u>\$ 505,000</u>	<u>\$ 89,500</u>



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**Note 4 - Fair Value Measurements**

GAAP provides a framework for reporting all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the Museum has the ability to access as of the reporting date.

Level 2 - Pricing inputs other than quoted prices included in Level 1, which are either directly or indirectly observable. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2019 from December 31, 2018.

*Mutual and exchange traded funds* are valued at the net asset value of shares held at year end. *Equities* are valued at the closing price reported on the active market on which the individual securities are traded. *Fixed income securities* are valued at the closing price reported on the active market on which the individual securities are traded. *Bank deposit accounts* are valued at cost, which approximates fair value since all are denominated in U.S. currency.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Museum believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

# THE CHINATI FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### Note 4 - Fair Value Measurements (Continued)

The following tables summarize the financial instruments by general classification and by level within the valuation hierarchy.

<b><u>December 31, 2019</u></b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
Mutual funds:				
U.S. fixed income	\$ 1,849,203	\$ -	\$ -	\$ 1,849,203
Foreign equity	573,724	-	-	573,724
U.S. equity	143,639	-	-	143,639
Global equity	<u>74,021</u>	<u>-</u>	<u>-</u>	<u>74,021</u>
Total mutual funds	<u>2,640,587</u>	<u>-</u>	<u>-</u>	<u>2,640,587</u>
Exchange traded funds:				
U.S. equity	5,684,691	-	-	5,684,691
Foreign equity	<u>1,393,361</u>	<u>-</u>	<u>-</u>	<u>1,393,361</u>
Total exchange traded funds	<u>7,078,052</u>	<u>-</u>	<u>-</u>	<u>7,078,052</u>
Equities - foreign	<u>802,287</u>	<u>-</u>	<u>-</u>	<u>802,287</u>
Fixed income:				
U.S. corporate	2,338,844	-	-	2,338,844
U.S. Government	<u>1,652,894</u>	<u>-</u>	<u>-</u>	<u>1,652,894</u>
Total fixed income	<u>3,991,738</u>	<u>-</u>	<u>-</u>	<u>3,830,247</u>
Bank deposit accounts	<u>782,622</u>	<u>-</u>	<u>-</u>	<u>782,622</u>
Total investments	<u>\$ 15,295,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,295,286</u>

# THE CHINATI FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### Note 4 - Fair Value Measurements (Continued)

<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
U.S. fixed income	\$ 1,599,169	\$ -	\$ -	\$ 1,599,169
Foreign equity	495,772	-	-	495,772
U.S. equity	123,488	-	-	123,488
Global equity	<u>61,722</u>	<u>-</u>	<u>-</u>	<u>61,722</u>
Total mutual funds	<u>2,280,151</u>	<u>-</u>	<u>-</u>	<u>2,280,151</u>
Exchange traded funds:				
U.S. equity	4,564,539	-	-	4,564,539
Foreign equity	<u>1,207,513</u>	<u>-</u>	<u>-</u>	<u>1,207,513</u>
Total exchange traded funds	<u>5,772,052</u>	<u>-</u>	<u>-</u>	<u>5,772,052</u>
Equities - foreign	<u>705,319</u>	<u>-</u>	<u>-</u>	<u>705,319</u>
Fixed income:				
U.S. corporate	2,232,845	-	-	2,232,845
U.S. Government	1,447,458	-	-	1,447,458
Foreign	<u>149,944</u>	<u>-</u>	<u>-</u>	<u>149,944</u>
Total fixed income	<u>3,830,247</u>	<u>-</u>	<u>-</u>	<u>3,830,247</u>
Bank deposit accounts	<u>766,789</u>	<u>-</u>	<u>-</u>	<u>766,789</u>
Total investments	<u>\$ 13,354,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,354,558</u>

### Note 5 - Property and Equipment

Property and equipment consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 395,064	\$ 236,487
Buildings and improvements	1,380,571	1,288,735
Furniture, fixtures, and equipment	418,112	392,118
Automobiles	<u>57,667</u>	<u>57,667</u>
Total property and equipment	2,251,414	1,975,007
Less: accumulated depreciation	<u>(1,040,101)</u>	<u>(975,334)</u>
Total property and equipment, net	<u>\$ 1,211,313</u>	<u>\$ 999,673</u>

Depreciation expense was \$64,766 and \$64,692 for the years ended December 31, 2019 and 2018, respectively.

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**Note 6 - Debt**

Debt consists of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Note payable to a bank, collateralized by property with a book value of approximately \$90,000; due in monthly installments of \$819, including interest adjusted annually to prime plus 1%, with a floor of 7%; due in full in November 2022.	\$ 25,855	\$ 33,576
Note payable to a bank, collateralized by property with a book value of approximately \$167,000; due in monthly installments of \$1,263, including interest at a minimum of 5.75% subject to the current index; due in full July 2027.	<u>92,938</u>	<u>102,448</u>
Total debt	<u>\$ 118,793</u>	<u>\$ 136,024</u>

Future maturities on debt are as follows as of December 31:

<u>Years Ending December 31,</u>	<u>Amount</u>
2020	\$ 18,321
2021	19,533
2022	19,993
2023	11,986
2024	12,660
Thereafter	<u>36,300</u>
Total	<u>\$ 118,793</u>

**Note 7 - Board Designated for Specified Purpose**

Included within net assets without donor restrictions are the following Board designated amounts as of December 31:

	<u>2019</u>	<u>2018</u>
John Chamberlain Building restoration	\$ 89,494	\$ 157,992
Reprinting of Chinati book	80,565	100,000
Artillery Sheds restoration	74,265	85,055
Website development	47,056	75,000
Operating reserve	200,000	-
Other special projects and programs	<u>-</u>	<u>31,000</u>
Total board designated for specified purpose	<u>\$ 491,380</u>	<u>\$ 449,047</u>

**THE CHINATI FOUNDATION**  
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**Note 8 - Net Assets With Donor Restrictions**

The Museum's net assets with donor restrictions are available for the following purposes as of December 31:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose/period:		
Strategic Initiatives - Master Plan	\$ 885,035	\$ 25,000
Strategic Initiatives - Archive project	305,713	500,118
Education/Outreach programs	105,875	49,000
Robert Irwin publication	-	49,194
Timing restrictions	<u>-</u>	<u>25,000</u>
Total subject to expenditure for specified purpose/period	<u>1,296,623</u>	<u>648,312</u>
Endowments:		
Subject to appropriation and expenditure in accordance with donor restrictions:		
Available for general operations	1,748,848	-
Available for maintenance of Robert Irwin Installation	<u>31,011</u>	<u>-</u>
Total subject to appropriation and expenditure in accordance with donor restrictions	<u>1,779,859</u>	<u>-</u>
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
General operations	12,987,422	12,987,422
Maintenance of Robert Irwin Installation	250,000	250,000
Underwater endowments	<u>-</u>	<u>(95,612)</u>
Total perpetual in nature, inclusive of underwater	<u>13,237,422</u>	<u>13,141,810</u>
Total net assets with donor restrictions	<u>\$ 16,313,904</u>	<u>\$ 13,790,122</u>

**THE CHINATI FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

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**Note 8 - Net Assets With Donor Restrictions (Continued)**

During 2019 and 2018, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors as follows:

	<u>2019</u>	<u>2018</u>
Released for operations:		
Chinati Weekend	\$ 239,757	\$ 282,390
Strategic Initiatives - Master Plan	354,965	100,000
Strategic Initiatives - Archive project	194,405	24,882
Education/Outreach programs	105,375	64,000
Temporary exhibitions	26,250	-
Newsletter	10,000	10,000
Community Day	7,000	12,153
Artist-in-Residence	6,400	5,000
Internship program	5,000	5,000
Visitors services programming	2,500	-
Timing restrictions	25,000	50,000
General operations - appropriated from endowment	<u>575,000</u>	<u>650,731</u>
Total released for operations	1,551,652	1,204,156
Released for collection items -		
Robert Irwin Art Installation and publication	49,194	14,674
Released for investment management fees	<u>69,749</u>	<u>61,146</u>
Total net assets released from restrictions	<u>\$ 1,670,595</u>	<u>\$ 1,279,976</u>

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**Note 9 - Endowment Funds**

The Museum's endowment funds consist of donor-restricted endowment funds for general operations and the care and maintenance of the Robert Irwin Installation, as well as funds designated by the Board of Trustees to function as an endowment for the care and maintenance of the Robert Irwin Installation. Net assets associated with endowments, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions or relevant law.

*Interpretation of Relevant Law* - Effective September 1, 2007, the State of Texas adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which governs Texas charitable institutions with respect to the management, investment and expenditure of donor-restricted endowment funds. The Board of Trustees of the Museum has interpreted the UPMIFA as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowments funds: (1) the duration and preservation of the funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and appreciation of investments, (6) other resources of the Museum; and (7) the Museum's investment policies.

*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 over the long-term. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity or for a donor-specified period(s) and a Board-designated endowment fund. The Museum expects its endowment funds, over time, to provide an average rate of return of approximately 5% after inflation, over a full market cycle (3 to 5 years). Actual returns in any given year may vary from this amount.

*Strategies Employed for Achieving Objectives* - To satisfy its long-term rate-of-return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk restraints.



# THE CHINATI FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### Note 9 - Endowment Funds (Continued)

*Spending Policy* - For the general operations endowment, the Museum has a policy authorizing the withdrawal of up to 5% of the total market value of the related endowment fund, based on the average value of the related endowment fund over the past 12 calendar quarters ending in June. For the Robert Irwin Installation endowment, the Museum has a policy authorizing the withdrawal of up to 3% of the total market value of the related endowment fund, based on the average value of the related endowment fund over the past 12 calendar quarters ending in June. In the case of endowment funds being in existence for fewer than three years, the average value may be calculated for the period the endowment fund has been in existence. In establishing this spending policy, the Museum considered its long-term expected return on the endowment funds. From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Museum has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2018, two donor-endowed funds with a total original gift value of \$13,237,422, fair value of \$13,141,810 and deficiency of \$95,612 were reported in net assets with donor restrictions. These amounts were fully recovered during 2019 due to favorable market fluctuations.

#### *Endowment Net Asset Composition and Changes*

Endowment net assets consist of the following at December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 280,857	\$ -	\$ 280,857
Donor-restricted endowment funds:			
Original donor restricted gift amount required to be maintained in perpetuity	-	13,237,422	13,237,422
Accumulated investment gains	-	1,779,859	1,779,859
Total endowments	<u>\$ 280,857</u>	<u>\$ 15,017,281</u>	<u>\$ 15,298,138</u>

Endowment net assets consist of the following at December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 235,679	\$ -	\$ 235,679
Donor-restricted endowment funds:			
Original donor restricted gift amount required to be maintained in perpetuity	-	13,237,422	13,237,422
Accumulated investment losses	-	(95,612)	(95,612)
Total	<u>\$ 235,679</u>	<u>\$ 13,141,810</u>	<u>\$ 13,377,489</u>

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**Note 9 - Endowment Funds (Continued)**

The changes in the endowment funds for the years ended December 31, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, January 1, 2018	\$ 250,000	\$ 14,463,930	\$ 14,713,930
Fiscal year 2018 activity:			
Investment income	4,630	491,133	495,763
Net depreciation of investments	(18,886)	(1,101,376)	(1,120,262)
Investment management fees	(65)	(61,146)	(61,211)
Amounts appropriated for expenditure	<u>-</u>	<u>(650,731)</u>	<u>(650,731)</u>
Endowment net assets, December 31, 2018	<u>235,679</u>	<u>13,141,810</u>	<u>13,377,489</u>
Fiscal year 2019 activity:			
Investment income	7,750	449,795	457,545
Net appreciation of investments	38,286	2,070,425	2,108,711
Investment management fees	(858)	(69,749)	(70,607)
Amounts appropriated for expenditure	<u>-</u>	<u>(575,000)</u>	<u>(575,000)</u>
Endowment net assets, December 31, 2019	<u>\$ 280,857</u>	<u>\$ 15,017,281</u>	<u>\$ 15,298,138</u>

**Note 10 - Commitments**

Operating Leases

The Museum has operating leases for office equipment that expire in various years through 2023. Rent expense for the years ended December 31, 2019 and 2018 was \$27,750 and \$23,240, respectively.

Future minimum operating lease payments under these leases are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2020	\$ 9,701
2021	4,591
2022	2,036
2023	<u>1,358</u>
Total	<u>\$ 17,686</u>

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**Note 10 - Commitments (Continued)**

Defined Contribution Plan

The Museum has a voluntary 403(b) Thrift Plan (the Plan) for all full-time employees. Employer matching contributions into the Plan are discretionary. During the years ended December 31, 2019 and 2018, no employer matching contributions were made into the Plan by the Museum.

**Note 11 - Concentrations**

The Museum maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. At December 31, 2019 and 2018, the Museum had deposits in financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation of \$2,164,285 and \$1,997,689, respectively. The Museum has not experienced any losses in such accounts and management believes the Museum is not exposed to any significant credit risk for cash and cash equivalents.

For the years ended December 31, 2019 and 2018, contributions totaling approximately \$1,726,000 and \$515,000, respectively, were made to the Museum by members of the Board for operating support and strategic initiatives. For the year ended December 31, 2019, two contributors accounted for approximately 35% of total contributions and grants revenue. One contributor accounted for approximately 23% of total contributions and grants revenue for the year ended December 31, 2018. At December 31, 2019 and 2018, the Museum had receivable balances from Board members of approximately \$434,100 and \$67,625, respectively.

**Note 12 - Liquidity and Availability of Resources**

The following table reflects the Museum's financial assets at December 31, 2019 and 2018, reduced by amounts not anticipated to be available for general expenditure within one year of the statement of financial position date. Financial assets are considered unavailable when illiquid or they are not convertible to cash within one year. Financial assets are available for general expenditure if they do not have donor or other restrictions limiting their use through purpose restrictions for strategic initiatives.

	<u>2019</u>	<u>2018</u>
Financial assets available within one year:		
Cash and cash equivalents	\$ 1,897,635	\$ 1,699,400
Receivables due within one year	105,000	78,457
Investments	<u>15,295,286</u>	<u>13,354,558</u>
Total financial assets available within one year	17,297,921	15,132,415
Less amounts not available for general expenditure within one year:		
Restricted by donors in perpetuity	(13,237,422)	(13,237,422)
Board designated quasi-endowment	(280,857)	(235,679)
Board designated net assets	(491,380)	(449,047)
Donor-restricted for items other than general expenditures	<u>(2,384,345)</u>	<u>(599,312)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 903,917</u>	<u>\$ 610,955</u>

**THE CHINATI FOUNDATION**  
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**Note 12 - Liquidity and Availability of Resources (Continued)**

The Museum regularly monitors liquidity required to meet its operational needs and other contractual commitments. The Museum has an Operating Reserve Policy which has a targeted reserve amount of \$750,000, representing approximately 25% of anticipated fiscal year operating expenses. For purposes of operating reserve calculation, the annual operating expenses include all recurring, predictable expenses such as program costs and compensation, but exclude depreciation, in-kind expenses and capital expenditures.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Museum considers all expenditures related to its ongoing program activities and support services to be general expenditures. The Board designated net assets may be drawn upon, if necessary, with Board approval to meet unexpected liquidity needs. The income from donor-restricted endowments may be used for operating purposes and is subject to the endowment spending policy as described in Note 9.

**Note 13 - Subsequent Events**

During March 2020, a global pandemic was declared by the World Health Organization related to the outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted economic conditions in the U.S. and globally, accelerating during the first half of March, as federal, state and local governments reacted to the public health crisis. As a result of COVID-19, the Museum was closed to visitors until August 2020, when the Museum opened for self-guided outdoor walking tours of the art installations. The Museum has adapted to the impact of COVID-19 by moving to a virtual platform for selected programs. Chinati Weekend, one of the most significant annual programs and the one that garners the greatest attendance, was hosted online in October 2020. This new approach enabled more than 4,500 people globally to participate and created an online template for programming that the Museum intends to continue to use through the pandemic and into the future. Additionally, the Museum pivoted its education programming online, producing a series of bi-lingual art making prompts through a new Instagram account (@chinatiedu), and partnering online with schools outside the local tri-county area, including Argonne Elementary in the San Francisco Unified School District.

It is not known when full scale Museum operations may resume and it is anticipated that COVID-19 will have a negative impact on revenue generated from admissions, store sales and memberships. Management is assessing the impact that COVID-19 may ultimately have on the Museum's operations and cash flows. Management believes that the extent to which COVID-19 will impact the Museum's operations will depend on future developments, which are highly uncertain, and for which the ultimate effects are unknown at this time.

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**Note 13 - Subsequent Events (Continued)**

On April 16, 2020, the Museum obtained a \$362,021 Paycheck Protection Program Loan (PPP Loan) which was established under the CARES Act and is guaranteed by the U.S. Small Business Administration. The PPP Loan, as amended, is due in seventeen equal principal payments of \$20,373 beginning October 16, 2021, with final payment due March 16, 2023. The PPP Loan has a fixed interest rate of 1.00%, with accrued interest payable monthly beginning October 16, 2021. The PPP Loan may be forgiven, in whole or in part, if the Museum complies with certain requirements of the CARES Act.

Management performed an evaluation of the Museum's activity through November 13, 2020, the date the financial statements were available to be issued, noting no other subsequent events requiring recognition or disclosure in the financial statements.

**\* \* \* End of Notes \* \* \***



