



THE CHINATI FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(With Independent Auditor's Report Thereon)

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, 2020 and 2019, 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script, reading "Doeren Mayhew".

Houston, Texas
November 17, 2021

THE CHINATI FOUNDATION

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THE CHINATI FOUNDATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2020 AND 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents (Note 12)	\$ 2,345,518	\$ 1,897,635
Contributions receivable (Notes 3 and 12)	785,772	505,000
Inventory	195,750	138,099
Prepaid expenses and other assets	78,336	129,078
Endowment investments (Note 4)	16,010,946	15,295,286
Property and equipment, net (Notes 5 and 7)	1,168,808	1,211,313
 Total assets	 <u>\$ 20,585,130</u>	 <u>\$ 19,176,411</u>
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 35,998	\$ 93,131
Accrued expenses	156,315	142,688
Paycheck Protection Program Loan (Note 6)	362,020	-
Debt (Note 7)	100,465	118,793
 Total liabilities	 <u>654,798</u>	 <u>354,612</u>
Net assets:		
Without donor restrictions:		
Undesignated	951,658	643,138
Board designated for specified purpose (Note 9)	290,898	491,380
Board designated endowments (Note 11)	300,087	280,857
Invested in property and equipment, net of related debt	1,068,343	1,092,520
 Total without donor restrictions	 <u>2,610,986</u>	 <u>2,507,895</u>
With donor restrictions:		
Time restricted for future periods (Note 10)	50,000	-
Purpose restricted (Note 10)	4,031,924	3,076,482
Perpetual in nature (Notes 10 and 11)	13,237,422	13,237,422
 Total with donor restrictions	 <u>17,319,346</u>	 <u>16,313,904</u>
 Total net assets	 <u>19,930,332</u>	 <u>18,821,799</u>
 Total liabilities and net assets	 <u>\$ 20,585,130</u>	 <u>\$ 19,176,411</u>

See accompanying notes to financial statements.

THE CHINATI FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support:						
Contributions and grants (Note 12)	\$ 1,249,089	\$ 1,061,467	\$ 2,310,556	\$ 1,267,017	\$ 1,674,157	\$ 2,941,174
Admissions	99,916	-	99,916	375,516	-	375,516
Memberships	135,390	-	135,390	167,358	-	167,358
Museum store sales, net of cost of goods sold	42,853	-	42,853	160,250	-	160,250
Other revenue	48,761	-	48,761	45,374	-	45,374
Net assets released from restrictions for operating expenses (Note 10)	1,382,256	(1,382,256)	-	1,551,652	(1,551,652)	-
Total operating revenue and support	2,958,265	(320,789)	2,637,476	3,567,167	122,505	3,689,672
Operating expenses:						
Program services:						
Conservation	403,689	-	403,689	409,905	-	409,905
Curatorial, events and scholarship	714,968	-	714,968	615,748	-	615,748
Education	203,833	-	203,833	217,620	-	217,620
Visitor services	276,970	-	276,970	460,535	-	460,535
Strategic initiatives	504,499	-	504,499	558,271	-	558,271
Total program services	2,103,959	-	2,103,959	2,262,079	-	2,262,079
Supporting services:						
Administrative	311,474	-	311,474	454,548	-	454,548
Fundraising	397,462	-	397,462	635,871	-	635,871
Total operating expenses before depreciation and amortization	2,812,895	-	2,812,895	3,352,498	-	3,352,498
Operating (deficit) surplus before depreciation and amortization	145,370	(320,789)	(175,419)	214,669	122,505	337,174
Depreciation and amortization	73,983	-	73,983	64,766	-	64,766
(Deficit) excess of operating revenue and support over operating expenses	71,387	(320,789)	(249,402)	149,903	122,505	272,408
Nonoperating revenue, support and expenses:						
Dividends and interest	13,688	337,092	350,780	26,934	449,795	476,729
Realized and unrealized gain on investments	19,057	1,062,494	1,081,551	38,272	2,070,425	2,108,697
Investment management fees	(74,396)	-	(74,396)	(70,607)	-	(70,607)
Net assets released from restrictions for acquisition of collection items (Note 10)	-	-	-	49,194	(49,194)	-
Net assets released from restrictions for management fees (Note 10)	73,355	(73,355)	-	69,749	(69,749)	-
Change in net assets	103,091	1,005,442	1,108,533	263,445	2,523,782	2,787,227
Net assets at beginning of year	2,507,895	16,313,904	18,821,799	2,244,450	13,790,122	16,034,572
Net assets at end of year	\$ 2,610,986	\$ 17,319,346	\$ 19,930,332	\$ 2,507,895	\$ 16,313,904	\$ 18,821,799

See accompanying notes to financial statements.

THE CHINATI FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2020

	Program Services						Supporting Services		Grand Total
	Conservation	Curatorial, Events and Scholarship	Education	Visitor Services	Strategic Initiatives	Total	Administrative	Fundraising	
Advertising	\$ -	\$ 2,270	\$ 225	\$ 2,439	\$ -	\$ 4,934	\$ 180	\$ -	\$ 5,114
Automobile	5,244	5,175	591	114	90	11,214	725	215	12,154
Catering	-	-	-	990	-	990	-	-	990
Contract services	9,184	74,077	3,545	4,600	3,081	94,487	7,729	2,660	104,876
Credit card processing fees	-	905	-	9,485	2,628	13,018	170	7,924	21,112
Depreciation and amortization	28,686	13,924	3,668	8,452	1,721	56,451	12,157	5,375	73,983
Insurance	27,213	27,018	3,694	15,123	1,742	74,790	7,044	2,106	83,940
Interest	2,549	2,549	-	-	-	5,098	1,553	-	6,651
Maintenance	5,927	5,883	384	2,024	59	14,277	472	140	14,889
Member benefit items	-	-	-	-	-	-	-	8,290	8,290
Merchandise cost	-	-	-	16,756	-	16,756	-	-	16,756
Miscellaneous	966	905	223	443	647	3,184	7,603	2,526	13,313
Office expense	2,450	1,935	1,587	17,073	9,023	32,068	4,824	10,355	47,247
Postage, freight and shipping	1,243	6,586	-	3,822	951	12,602	-	5,750	18,352
Printing	17	14,489	121	1,127	1,322	17,076	470	773	18,319
Professional fees	8,162	116,529	2,737	8,018	72,755	208,201	73,921	26,426	308,548
Rent	-	-	2,533	2,533	-	5,066	1,069	4,143	10,278
Salaries, taxes and benefits	300,246	368,035	177,376	201,696	361,843	1,409,196	172,328	277,902	1,859,426
Supplies and materials	24,573	77,165	5,433	776	6,423	114,370	160	2,481	117,011
Telephone	1,861	1,420	1,379	1,836	918	7,414	3,674	2,295	13,383
Travel and entertainment	-	172	534	165	42,654	43,525	22,763	40,562	106,850
Utilities	14,054	9,855	3,471	4,706	363	32,449	6,789	2,914	42,152
Total expenses by function	432,375	728,892	207,501	302,178	506,220	2,177,166	323,631	402,837	2,903,634
Less: gift shop cost of goods sold included with revenues on the statement of activities	-	-	-	(16,756)	-	(16,756)	-	-	(16,756)
Total expenses included in the expense section on the statement of activities	<u>\$ 432,375</u>	<u>\$ 728,892</u>	<u>\$ 207,501</u>	<u>\$ 285,422</u>	<u>\$ 506,220</u>	<u>\$ 2,160,410</u>	<u>\$ 323,631</u>	<u>\$ 402,837</u>	<u>\$ 2,886,878</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 and amortization	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

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 1,108,533	\$ 2,787,227
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	73,983	64,766
Loss on disposal	765	-
Realized and unrealized (gain) loss on investments	(1,081,551)	(2,108,697)
(Increase) decrease in assets:		
Receivables	(280,772)	(435,500)
Inventory	(57,651)	883
Prepaid expenses and other assets	44,652	(72,633)
Increase (decrease) in liabilities:		
Accounts payable	(57,133)	51,568
Accrued expenses	13,627	16,289
Net cash (used) provided by operating activities	(235,547)	303,903
Cash flows from investing activities:		
Purchase of property and equipment	(26,153)	(276,406)
Purchase of investments	(2,529,094)	(665,912)
Sales of investments	2,913,105	849,714
Net cash provided (used) by investing activities	357,858	(92,604)
Cash flows from financing activities:		
Proceeds from contributions restricted for capital expenditure and collection items	-	20,000
Principal payments on debt	(18,330)	(17,231)
Proceeds from Paycheck Protection Program Loan	362,020	-
Net cash provided by financing activities	343,690	2,769
Net increase in cash, cash equivalents and restricted cash	466,001	214,068
Cash, cash equivalents and restricted cash at beginning of year	2,680,257	2,466,189
Cash, cash equivalents and restricted cash at end of year	\$ 3,146,258	\$ 2,680,257
Supplemental disclosures of cash flow information -		
Cash paid for interest	\$ 6,651	\$ 7,748

See accompanying notes to financial statements.

THE CHINATI FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Note 1 - Organization

The Chinati Foundation (the Museum) is a not-for-profit museum for contemporary art, created and founded by the late artist Donald Judd. The Museum's mission is to present the work of a select group 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, 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. Many of these projects are included in the Museum's Master Plan that outlines 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 2nd edition of *Chinati: The Vision of Donald Judd* collection handbook. The onset of the pandemic in early 2020 refocused the Museum's attention to issues of sustainability, but still allowed for the completion of several strategic initiatives including the long-term rental of Bingham Hall and a partial upgrade of Barracks #1, which serves as the Museum's visitor center and bookstore. Additionally, preparations began for a large-scale renovation of the John Chamberlain building, a 23,000 square foot historic structure with significant architectural interventions by Judd, that houses the permanent installation of 23 large-scale sculptures by Chamberlain.

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, 2020 and 2019, the Board has designated net assets for a specific purpose as described in Note 8. 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 11.

THE CHINATI FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 2 - Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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.

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 CHINATI FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 2 - Significant Accounting Policies (Continued)

Cash, Cash Equivalents and Restricted Cash (Continued)

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,345,518	\$ 1,897,635
Restricted cash recorded within endowment investments	<u>800,740</u>	<u>782,622</u>
Total cash, cash equivalents and restricted cash	<u>\$ 3,146,258</u>	<u>\$ 2,680,257</u>

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, 2020 and 2019, 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. Donated stock is recorded at fair value at the date of donation. 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.

THE CHINATI FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 2 - Significant Accounting Policies (Continued)

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

Collections

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. Proceeds from deaccessions or insurance recoveries are available for the acquisition of collections or the direct care of existing collections, with such direct care either extending the life or enhancing the quality of the existing collection.

Paycheck Protection Program Loan

The Paycheck Protection Program (PPP) Loan has been accounted for under the debt accounting model, whereby the loan proceeds and related interest are recorded as a liability. If the entity is legally released as the primary obligor on the debt, the liability is derecognized, resulting in a gain on loan extinguishment which is reflected as loan forgiveness on the statement of activities and changes in net assets in the year that such release occurs.

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.

THE CHINATI FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 2 - Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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, 2020 and 2019, the Museum received \$670 and \$114,150 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 sale.

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, 2020 and 2019 was approximately \$5,100 and \$18,300, 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.

THE CHINATI FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Note 2 - Significant Accounting Policies (Continued)

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 2017.

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.

Recently Adopted Accounting Pronouncement

On January 1, 2020, the Museum adopted Accounting Standards Update (ASU) No. 2019-03, *Updating the Definition of Collections* on a prospective basis. This ASU addresses the use of proceeds from sales of collection items and related disclosures. Under the clarified definition, proceeds from the sale of collection items may be used to either acquire new collection items or directly care for existing collection items already in possession. The previous guidance required the proceeds to be used only for the acquisition of additional collections. When a sale of a collection item occurs, this ASU also requires an entity to disclose if in fact the sale proceeds can be used to acquire new items and/or for the direct care of existing collections; and, if using those proceeds for direct care is allowed, the entity's definition of direct care should be disclosed. The adoption of this ASU had no significant impact on the Museum's financial reporting.

Note 3 - Contributions Receivable

Contributions receivable consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Amounts to be collected within one year	\$ 330,772	\$ 105,000
Amounts to be collected one to five years	<u>455,000</u>	<u>400,000</u>
Total contributions receivable	<u>\$ 785,772</u>	<u>\$ 505,000</u>

THE CHINATI FOUNDATION
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DECEMBER 31, 2020 AND 2019

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, 2020 from December 31, 2019.

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, 2020 AND 2019

Note 4 - Fair Value Measurements (Continued)

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

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
U.S. equity	\$ 713,555	\$ -	\$ -	\$ 713,555
U.S. fixed income	643,973	-	-	643,973
Global equity	<u>80,260</u>	<u>-</u>	<u>-</u>	<u>80,260</u>
Total mutual funds	<u>1,437,788</u>	<u>-</u>	<u>-</u>	<u>1,437,788</u>
Exchange traded funds:				
U.S. equity	6,400,826	-	-	6,400,826
Foreign equity	<u>1,438,993</u>	<u>-</u>	<u>-</u>	<u>1,438,993</u>
Total exchange traded funds	<u>7,839,819</u>	<u>-</u>	<u>-</u>	<u>7,839,819</u>
Equities - foreign	<u>1,021,786</u>	<u>-</u>	<u>-</u>	<u>1,021,786</u>
Fixed income:				
U.S. corporate	2,749,034	-	-	2,749,034
U.S. Government	<u>2,161,779</u>	<u>-</u>	<u>-</u>	<u>2,161,779</u>
Total fixed income	<u>4,910,813</u>	<u>-</u>	<u>-</u>	<u>4,910,813</u>
Bank deposit accounts	<u>800,740</u>	<u>-</u>	<u>-</u>	<u>800,740</u>
Total investments	<u>\$ 16,010,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,010,946</u>

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Note 4 - Fair Value Measurements (Continued)

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
U.S. equity	\$ 143,639	\$ -	\$ -	\$ 143,639
U.S. fixed income	1,849,203	-	-	1,849,203
Foreign equity	573,724	-	-	573,724
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>3,991,738</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>

Note 5 - Property and Equipment

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

	<u>2020</u>	<u>2019</u>
Land	\$ 395,064	\$ 395,064
Buildings and improvements	1,380,571	1,380,571
Furniture, fixtures, and equipment	442,886	418,112
Automobiles	<u>57,667</u>	<u>57,667</u>
Total property and equipment	2,276,188	2,251,414
Less: accumulated depreciation	<u>(1,107,380)</u>	<u>(1,040,101)</u>
Total property and equipment, net	<u>\$ 1,168,808</u>	<u>\$ 1,211,313</u>

Depreciation expense was \$67,893 and \$64,766 for the years ended December 31, 2020 and 2019, respectively.

THE CHINATI FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Note 6 - Paycheck Protection Program Loan

On April 16, 2020, the Museum obtained a \$362,020 PPP Loan which was established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and is administered by the U.S. Small Business Administration (SBA). The Museum accounted for the PPP Loan under the debt accounting model. Subject to certain conditions, the PPP Loan was eligible for forgiveness in whole or in part. Subsequent to December 31, 2020 (see Note 15), the Museum received notification that their forgiveness application was approved by the SBA. Accordingly, the PPP Loan proceeds of \$362,020 will be recognized as income during the year ended December 31, 2021.

Note 7 - Debt

Debt consists of the following as of December 31:

	<u>2020</u>	<u>2019</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.	\$ 17,581	\$ 25,855
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>82,884</u>	<u>92,938</u>
Total debt	<u>\$ 100,465</u>	<u>\$ 118,793</u>

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

<u>Years Ending December 31,</u>	<u>Amount</u>
2021	\$ 19,533
2022	20,008
2023	11,962
2024	12,660
2025	13,415
Thereafter	<u>22,887</u>
Total	<u>\$ 100,465</u>

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Note 8 - 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, 2020 and 2019 was \$10,277 and \$27,750, respectively.

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

<u>Years Ending December 31,</u>	<u>Amount</u>
2021	\$ 4,591
2022	2,036
2023	<u>1,358</u>
Total	<u>\$ 7,985</u>

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, 2020 and 2019, no employer matching contributions were made into the Plan by the Museum.

Note 9 - Board Designated for Specified Purpose

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

	<u>2020</u>	<u>2019</u>
Artillery Sheds restoration	\$ 68,599	\$ 74,265
John Chamberlain Building restoration	10,383	89,494
Reprinting of Chinati book	-	80,565
Website development	-	47,056
Operating reserve	200,000	200,000
Other special projects and programs	<u>11,916</u>	<u>-</u>
Total board designated for specified purpose	<u>\$ 290,898</u>	<u>\$ 491,380</u>

THE CHINATI FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Note 10 - Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose/period:		
Strategic Initiatives - Master Plan	\$ 1,436,519	\$ 885,035
Strategic Initiatives - Archive project	33,440	305,713
Education/Outreach programs	87,375	105,875
Timing restrictions	<u>50,000</u>	<u>-</u>
Total subject to expenditure for specified purpose/period	<u>1,607,334</u>	<u>1,296,623</u>
Endowments:		
Subject to appropriation and expenditure in accordance with donor restrictions:		
Available for general operations	2,424,350	1,748,848
Available for maintenance of Robert Irwin Installation	<u>50,240</u>	<u>31,011</u>
Total endowments subject to appropriation and expenditure in accordance with donor restrictions	<u>2,474,590</u>	<u>1,779,859</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	<u>250,000</u>	<u>250,000</u>
Total perpetual in nature	<u>13,237,422</u>	<u>13,237,422</u>
Total net assets with donor restrictions	<u>\$ 17,319,346</u>	<u>\$ 16,313,904</u>

THE CHINATI FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Note 10 - Net Assets With Donor Restrictions (Continued)

During 2020 and 2019, 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>2020</u>	<u>2019</u>
Released for operations:		
Strategic Initiatives - Archive project	\$ 274,773	\$ 194,405
Strategic Initiatives - Master Plan	208,116	354,965
Education/Outreach programs	139,417	105,375
Chinati Weekend	75,950	239,757
Temporary exhibitions	25,000	26,250
Newsletter	10,000	10,000
Covarrubias Cleanup/Irwin Viewsheds	6,500	-
Artist-in-Residence	5,000	6,400
Internship program	5,000	5,000
Community Day	1,000	7,000
Visitor services programming	-	2,500
Timing restrictions	-	25,000
General operations - appropriated from endowment	<u>631,500</u>	<u>575,000</u>
Total released for operations	1,382,256	1,551,652
Released for collection items -		
Robert Irwin Art Installation and publication	-	49,194
Released for investment management fees	<u>73,355</u>	<u>69,749</u>
Total net assets released from restrictions	<u>\$ 1,455,611</u>	<u>\$ 1,670,595</u>

THE CHINATI FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Note 11 - 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, 2020 AND 2019

Note 11 - 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.

Endowment Net Asset Composition and Changes

Endowment net assets consist of the following at December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 300,087	\$ -	\$ 300,087
Donor-restricted endowment funds:			
Original donor restricted gift amount required to be maintained in perpetuity	-	13,237,422	13,237,422
Accumulated investment gains	-	2,474,590	2,474,590
Total endowments	<u>\$ 300,087</u>	<u>\$ 15,712,012</u>	<u>\$ 16,012,099</u>

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 losses	-	1,779,859	1,779,859
Total	<u>\$ 280,857</u>	<u>\$ 15,017,281</u>	<u>\$ 15,298,138</u>

THE CHINATI FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 11 - Endowment Funds (Continued)

The changes in the endowment funds for the years ended December 31, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, January 1, 2019	\$ 235,679	\$ 13,141,810	\$ 13,377,489
Fiscal year 2019 activity:			
Investment income	7,750	449,795	457,545
Net depreciation 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>
Fiscal year 2020 activity:			
Investment income	7,604	337,092	344,696
Net appreciation of investments	19,167	1,062,494	1,081,661
Investment management fees	(1,041)	(73,355)	(74,396)
Amounts appropriated for expenditure	<u>(6,500)</u>	<u>(631,500)</u>	<u>(638,000)</u>
Endowment net assets, December 31, 2020	<u>\$ 300,087</u>	<u>\$ 15,712,012</u>	<u>\$ 16,012,099</u>

Note 12 - Concentrations

FDIC Concentration

The Museum maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. At December 31, 2020 and 2019, the Museum had deposits in financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation of \$2,377,584 and \$2,164,285, 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.

THE CHINATI FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Note 12 - Concentrations (Continued)

Donor Concentration

For the years ended December 31, 2020 and 2019, contributions totaling approximately \$1,201,000 and \$1,726,000, respectively, were made to the Museum by members of the Board for operating support and strategic initiatives. For the year ended December 31, 2020, two contributors accounted for approximately 22% of total contributions and grants revenue. For the year ended December 31, 2019, two contributors accounted for approximately 35% of total contributions and grants revenue. At December 31, 2020 and 2019, the Museum had receivable balances from Board members of approximately \$709,800 and \$434,100, respectively.

Note 13 - Liquidity and Availability of Resources

The following table reflects the Museum's financial assets at December 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
Financial assets available within one year:		
Cash and cash equivalents	\$ 2,345,518	\$ 1,897,635
Receivables due within one year	330,772	105,000
Investments	<u>16,010,946</u>	<u>15,295,286</u>
Total financial assets available within one year	18,687,236	17,297,921
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	(300,087)	(280,857)
Board designated net assets	(290,898)	(491,380)
Donor-restricted for items other than general expenditures	<u>(3,308,287)</u>	<u>(2,384,345)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,550,542</u>	<u>\$ 903,917</u>

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.

THE CHINATI FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Note 13 - Liquidity and Availability of Resources (Continued)

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, which is included in the “donor restricted for items other than general expenditures”, is subject to the endowment spending policy as described in Note 11 and may be used for operating purposes.

Note 14 - Coronavirus Pandemic

In 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 and operations within the U.S. and globally. As a result of COVID-19, the Museum was closed to visitors for a significant portion of 2020 and into 2021, with many of the programs moving to a virtual platform. There may continue to be disruptions in the Museum’s operations as a result of the pandemic. 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.

Note 15 - Subsequent Events

On January 22, 2021, the Museum obtained a second PPP Loan for \$362,020 which was established under the CARES Act and is administered by the SBA. On September 3, 2021, the Museum received notification that the second PPP Loan was forgiven in full by the SBA.

On March 11, 2021, the Museum received notification that the first PPP Loan for \$362,020 that was received on April 16, 2020, was forgiven in full by the SBA.

On April 19, 2021, the Museum received a \$1,250,000 grant for general operations which was then internally designated by the Board of Directors for specified programs.

On April 23, 2021, the Museum entered into a construction contract of approximately \$1,600,000 for the restoration of the John Chamberlain Building.

Management performed an evaluation of the Museum’s activity through November 17, 2021, 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 * * ***

