



THE CHINATI FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022
(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

Opinion

We have audited the accompanying financial statements of The Chinati Foundation (the Museum), which comprise the statements of financial position as of December 31, 2023 and 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Museum as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Museum and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audits of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Doeren Mayhew Assurance

Houston, Texas
December 20, 2024

THE CHINATI FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents (Note 11)	\$ 2,667,617	\$ 2,428,746
Contributions receivable (Notes 3 and 11)	1,844,548	291,688
Inventory	174,946	176,792
Prepaid expenses and other assets	33,807	38,180
Endowment investments (Note 4)	16,160,428	14,541,683
Property and equipment, net (Notes 5 and 6)	<u>1,005,653</u>	<u>1,068,875</u>
Total assets	<u>\$ 21,886,999</u>	<u>\$ 18,545,964</u>
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 94,267	\$ 47,678
Accrued expenses	142,640	186,967
Refundable advances	176,315	-
Debt (Note 6)	<u>48,960</u>	<u>61,926</u>
Total liabilities	<u>462,182</u>	<u>296,571</u>
Net assets:		
Without donor restrictions:		
Undesignated	2,057,915	1,317,196
Board designated for specified purpose (Note 8)	926,647	1,164,940
Board designated endowments (Note 10)	323,130	279,641
Invested in property and equipment, net of related debt	<u>956,693</u>	<u>1,006,949</u>
Total without donor restrictions	<u>4,264,385</u>	<u>3,768,726</u>
With donor restrictions:		
Time restricted for future periods (Note 9)	50,000	-
Purpose restricted (Note 9)	3,873,010	1,243,245
Perpetual in nature (Notes 9 and 10)	<u>13,237,422</u>	<u>13,237,422</u>
Total with donor restrictions	<u>17,160,432</u>	<u>14,480,667</u>
Total net assets	<u>21,424,817</u>	<u>18,249,393</u>
Total liabilities and net assets	<u>\$ 21,886,999</u>	<u>\$ 18,545,964</u>

See accompanying notes to financial statements

THE CHINATI FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support:						
Contributions of cash and other financial assets (Note 11)	\$ 2,403,709	\$ 1,840,012	\$ 4,243,721	\$ 1,101,393	\$ 532,697	\$ 1,634,090
Contributions of nonfinancial assets (Note 12)	22,505	-	22,505	14,150	-	14,150
Admissions	259,748	-	259,748	310,709	-	310,709
Memberships	105,098	-	105,098	89,340	-	89,340
Museum store sales, net of cost of goods sold	113,136	-	113,136	91,007	-	91,007
Other revenue	5,757	-	5,757	60,946	-	60,946
Net assets released from restrictions (Note 9)	1,317,003	(1,317,003)	-	1,188,945	(1,188,945)	-
Total operating revenue and support	4,226,956	523,009	4,749,965	2,856,490	(656,248)	2,200,242
Operating expenses:						
Program services:						
Conservation	846,172	-	846,172	697,448	-	697,448
Curatorial, events and scholarship	1,679,532	-	1,679,532	1,168,318	-	1,168,318
Education	393,779	-	393,779	315,181	-	315,181
Visitor services	542,793	-	542,793	402,538	-	402,538
Total program services	3,462,276	-	3,462,276	2,583,485	-	2,583,485
Supporting services:						
Administrative	321,077	-	321,077	829,576	-	829,576
Fundraising	450,776	-	450,776	296,168	-	296,168
Total operating expenses	4,234,129	-	4,234,129	3,709,229	-	3,709,229
Excess (deficit) of operating revenue and support over operating expenses	(7,173)	523,009	515,836	(852,739)	(656,248)	(1,508,987)
Nonoperating revenue, support and expenses:						
Historic Tax Credits	373,166	-	373,166	-	-	-
Dividends and interest	87,904	341,277	429,181	33,817	494,099	527,916
Realized and unrealized gain (loss) on investments	42,921	1,887,517	1,930,438	(54,213)	(2,612,336)	(2,666,549)
Investment management fees	(1,159)	(72,038)	(73,197)	(1,206)	(76,086)	(77,292)
Change in net assets	495,659	2,679,765	3,175,424	(874,341)	(2,850,571)	(3,724,912)
Net assets at beginning of year	3,768,726	14,480,667	18,249,393	4,643,067	17,331,238	21,974,305
Net assets at end of year	\$ 4,264,385	\$ 17,160,432	\$ 21,424,817	\$ 3,768,726	\$ 14,480,667	\$ 18,249,393

See accompanying notes to financial statements

THE CHINATI FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services					Supporting Services		Grand Total
	Conservation	Curatorial, Events and Scholarship	Education	Visitor Services	Total	Administrative	Fundraising	
Advertising	\$ -	\$ 2,237	\$ 2,997	\$ -	\$ 5,234	\$ 2,999	\$ 269	\$ 8,502
Automobile	7,061	6,129	713	1,544	15,447	848	351	16,646
Catering	-	-	-	830	830	-	-	830
Contract services	158,628	801,630	10,457	2,070	972,785	6,352	5,161	984,298
Credit card processing fees	-	-	-	14,992	14,992	-	9,582	24,574
Depreciation and amortization	33,345	14,996	2,828	3,407	54,576	8,511	4,484	67,571
Insurance	50,493	50,617	8,002	29,523	138,635	11,619	5,013	155,267
Interest	1,800	1,800	-	-	3,600	-	-	3,600
Maintenance	6,082	6,100	584	113	12,879	717	213	13,809
Member benefit items	-	820	-	-	820	-	4,740	5,560
Merchandise cost	-	-	-	42,801	42,801	-	-	42,801
Miscellaneous	753	1,238	2,811	65	4,867	8,693	1,916	15,476
Office expense	10,272	8,141	5,235	19,486	43,134	7,876	15,199	66,209
Postage, freight and shipping	590	3,620	51	10,528	14,789	-	3,469	18,258
Printing	-	14,988	58	1,207	16,253	105	2,930	19,288
Professional fees	57,580	130,747	9,030	9,873	207,230	100,886	88,154	396,270
Rent	-	11,775	2,675	2,658	17,108	208	4,671	21,987
Salaries, taxes and benefits	424,374	482,330	325,851	425,366	1,657,921	133,193	279,112	2,070,226
Supplies and materials	57,350	74,452	10,632	5,952	148,386	8,554	1,366	158,306
Telephone	2,423	3,227	1,816	2,422	9,888	3,027	3,027	15,942
Travel and entertainment	17,832	60,309	5,582	2,282	86,005	16,268	15,267	117,540
Utilities	17,589	4,376	4,457	10,475	36,897	11,221	5,852	53,970
Total expenses by function	846,172	1,679,532	393,779	585,594	3,505,077	321,077	450,776	4,276,930
Less gift shop cost of goods sold included with revenues on the statement of activities	-	-	-	(42,801)	(42,801)	-	-	(42,801)
Total expenses included in the expense section on the statement of activities	<u>\$ 846,172</u>	<u>\$ 1,679,532</u>	<u>\$ 393,779</u>	<u>\$ 542,793</u>	<u>\$ 3,462,276</u>	<u>\$ 321,077</u>	<u>\$ 450,776</u>	<u>\$ 4,234,129</u>

See accompanying notes to financial statements

THE CHINATI FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services					Supporting Services		Grand Total
	Conservation	Curatorial, Events and Scholarship	Education	Visitor Services	Total	Administrative	Fundraising	
Advertising	\$ 1,365	\$ 4,196	\$ 1,296	\$ 960	\$ 7,817	\$ 6,212	\$ -	\$ 14,029
Automobile	8,062	6,166	727	135	15,090	880	276	16,246
Catering	-	-	-	10,357	10,357	-	747	11,104
Contract services	171,598	341,852	4,321	5,257	523,028	3,375	14,403	540,806
Credit card processing fees	208	762	104	18,398	19,472	171	8,050	27,693
Depreciation and amortization	36,998	16,005	2,879	8,836	64,718	9,266	7,488	81,472
Insurance	39,604	39,690	7,559	16,492	103,345	9,133	4,015	116,493
Interest	2,579	2,579	-	-	5,158	-	-	5,158
Maintenance	5,340	5,882	902	111	12,235	701	208	13,144
Member benefit items	-	-	-	-	-	-	2,325	2,325
Merchandise cost	-	-	-	40,483	40,483	-	-	40,483
Miscellaneous	1,113	2,243	1,518	1,254	6,128	113,094	443	119,665
Office expense	5,742	4,125	3,562	25,485	38,914	4,994	30,110	74,018
Postage, freight and shipping	1,712	8,094	108	1,957	11,871	-	4,028	15,899
Printing	743	25,346	32	2,011	28,132	10	1,562	29,704
Professional fees	45,778	110,444	6,356	12,169	174,747	223,538	47,979	446,264
Rent	2,327	7,648	2,708	4,828	17,511	1,370	5,430	24,311
Salaries, taxes and benefits	313,128	428,037	266,016	290,678	1,297,859	428,840	158,936	1,885,635
Supplies and materials	35,054	79,970	9,412	920	125,356	3,968	597	129,921
Telephone	1,721	2,827	1,721	2,295	8,564	3,442	2,868	14,874
Travel and entertainment	6,771	63,325	3,920	-	74,016	18,077	5,961	98,054
Utilities	17,605	19,127	2,040	395	39,167	2,505	742	42,414
Total expenses by function	697,448	1,168,318	315,181	443,021	2,623,968	829,576	296,168	3,749,712
Less gift shop cost of goods sold included with revenues on the statement of activities	-	-	-	(40,483)	(40,483)	-	-	(40,483)
Total expenses included in the expense section on the statement of activities	<u>\$ 697,448</u>	<u>\$ 1,168,318</u>	<u>\$ 315,181</u>	<u>\$ 402,538</u>	<u>\$ 2,583,485</u>	<u>\$ 829,576</u>	<u>\$ 296,168</u>	<u>\$ 3,709,229</u>

See accompanying notes to financial statements

THE CHINATI FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,175,424	\$ (3,724,912)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	67,571	81,472
Realized and unrealized (gain) loss on investments	(1,930,438)	2,666,549
Write-off of uncollectible receivables	3,707	102,500
(Increase) decrease in assets:		
Receivables	(1,556,567)	314,060
Inventory	1,846	9,894
Prepaid expenses and other assets	24	36,238
Increase (decrease) in liabilities:		
Accounts payable	46,589	(315,565)
Accrued expenses	(44,327)	65,940
Refundable advances	176,315	-
Net cash used by operating activities	<u>(59,856)</u>	<u>(763,824)</u>
Cash flows from investing activities:		
Purchase of property and equipment	-	(22,020)
Purchase of investments	(803,381)	(1,472,370)
Sales of investments	1,149,130	1,635,401
Net cash provided by investing activities	<u>345,749</u>	<u>141,011</u>
Cash flows from financing activities:		
Principal payments on debt	<u>(12,966)</u>	<u>(18,996)</u>
Net cash used by financing activities	<u>(12,966)</u>	<u>(18,996)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	272,927	(641,809)
Cash, cash equivalents and restricted cash at beginning of year	<u>3,167,980</u>	<u>3,809,789</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 3,440,907</u>	<u>\$ 3,167,980</u>
Supplemental disclosures of cash flow information -		
Cash paid for interest	<u>\$ 3,600</u>	<u>\$ 5,158</u>

See accompanying notes to financial statements

THE CHINATI FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Note 1 - Organization

The Chinati Foundation (the Museum) is a not-for-profit museum for 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, architecture, and the surrounding landscape are inextricably linked.

The majority of the Museum's 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.

The Museum has developed a Master Plan which includes the goal of raising additional endowment funds and encompasses projects for the conservation and restoration of the Museum's permanent collections and programs in accordance with the principles of Donald Judd. These projects are finite in duration, occur outside the Museum's normal day-to-day activities, and are dependent on the raising of funds for the Master Plan.

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, 2023 and 2022, 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 10.

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.

THE CHINATI FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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, including maintenance or restoration of the Museum's collections. Museum operations do not include contributions designated for long term investment, capital expenditures, permanent collection purchases, investment income, contributions restricted in perpetuity or the proceeds from the sale of Historic Tax Credits. 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,667,617	\$ 2,428,746
Restricted cash recorded within endowment investments	<u>773,290</u>	<u>739,234</u>
Total cash, cash equivalents and restricted cash	<u>\$ 3,440,907</u>	<u>\$ 3,167,980</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.

Allowance for Credit Losses

An allowance for credit losses is provided when it is believed amounts may not be collected in full. The amount of bad debt expense recognized each period and the resulting adequacy of the credit loss allowance at the end of each period are determined using a combination of historical loss experience and management's assessment of specific identifiable accounts considered at risk or uncollectible. Receivables are written off as a charge to the allowance for credit losses when management determines the receivable will not be collected. It is possible that management's estimates regarding the collectability of the balances will change in the near term resulting in a change in the carrying value of these receivables. Management determined that no allowance for credit losses was required as of December 31, 2023 and 2022.

THE CHINATI FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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, including realized and unrealized gain or loss on investments, is reported in the Statement of Activities and Changes in Net Assets within net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions, in which case it is reported within 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.

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.

THE CHINATI FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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. As of December 31, 2023, \$176,315 has been recognized as refundable advances and not yet recognized in the statement of activities because the condition of incurring certain costs has not been met as of December 31, 2023.

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.

Admissions are recognized as revenue at the point in time when the related 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.

Historic Tax Credits represent amounts received for the sale of Texas historic rehabilitation tax credits which were received by the Museum for certified rehabilitation expenses. This amount is recognized as revenue at the point in 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, 2023 and 2022 was approximately \$8,500 and \$14,000, 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; and visitor services. 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, 2023 AND 2022

Income Taxes

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.

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 fiscal year 2022 financial statements were reclassified to conform with the current year presentation. There was no impact on classifications of net assets.

New Accounting Pronouncement

The current expected credit loss (CECL) model established by ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, requires the recognition of estimated expected credit losses over the life of a financial instrument, giving consideration to historical information and future economic conditions and events. ASU 2016-3 and subsequent amendments are codified in ASC 326, with pledges receivable specifically excluded from the CECL standard. Effective January 1, 2023, the Museum adopted the standard using the modified retrospective method with no significant impact on results of operations or cash flows.

Subsequent Events

Management has evaluated subsequent events through December 20, 2024, the date which the financial statements were available to be issued.

Note 3 - Contributions Receivable

Contributions receivable consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Amounts to be collected within one year	\$ 1,844,548	\$ 241,688
Amounts to be collected one to five years	-	50,000
Total contributions receivable	<u>\$ 1,844,548</u>	<u>\$ 291,688</u>

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Note 4 - Fair Value Measurements

GAAP requires that certain assets and liabilities be reported at fair value and establishes a hierarchy that prioritizes inputs used to measure fair value. 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 reporting date. The three levels of the fair value hierarchy are as follows:

- 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, 2023 from December 31, 2022.

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 deemed to be actively traded and 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.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
U.S. fixed income	\$ 632,116	\$ -	\$ -	\$ 632,116
U.S. equity	584,686	-	-	584,686
Global equity	99,037	-	-	99,037
Total mutual funds	<u>1,315,839</u>	<u>-</u>	<u>-</u>	<u>1,315,839</u>
Exchange traded funds:				
U.S. equity	6,766,513	-	-	6,766,513
Foreign equity	52,290	-	-	52,290
Total exchange traded funds	<u>6,818,803</u>	<u>-</u>	<u>-</u>	<u>6,818,803</u>
Equities - foreign	<u>2,085,125</u>			<u>2,085,125</u>
Fixed income:				
U.S. corporate	2,773,126	-	-	2,773,126
U.S. Government	2,394,245	-	-	2,394,245
Total fixed income	<u>5,167,371</u>	<u>-</u>	<u>-</u>	<u>5,167,371</u>
Bank deposit accounts	<u>773,290</u>	<u>-</u>	<u>-</u>	<u>773,290</u>
Total investments	<u>\$ 16,160,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,160,428</u>
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
U.S. fixed income	\$ 516,875	\$ -	\$ -	\$ 516,875
U.S. equity	553,148	-	-	553,148
Global equity	84,017	-	-	84,017
Total mutual funds	<u>1,154,040</u>	<u>-</u>	<u>-</u>	<u>1,154,040</u>
Exchange traded funds:				
U.S. equity	5,735,303	-	-	5,735,303
Foreign equity	45,867	-	-	45,867
Total exchange traded funds	<u>5,781,170</u>	<u>-</u>	<u>-</u>	<u>5,781,170</u>
Equities - foreign	<u>1,795,378</u>			<u>1,795,378</u>
Fixed income:				
U.S. corporate	2,748,803	-	-	2,748,803
U.S. Government	2,323,058	-	-	2,323,058
Total fixed income	<u>5,071,861</u>	<u>-</u>	<u>-</u>	<u>5,071,861</u>
Bank deposit accounts	<u>739,234</u>	<u>-</u>	<u>-</u>	<u>739,234</u>
Total investments	<u>\$ 14,541,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,541,683</u>

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 5 - Property and Equipment

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

	2023	2022
Land	\$ 395,064	\$ 395,064
Buildings and improvements	1,380,571	1,380,571
Furniture, fixtures and equipment	469,543	469,543
Automobiles	68,667	68,667
Total property and equipment	2,313,845	2,313,845
Less: accumulated depreciation	(1,308,192)	(1,244,970)
Total property and equipment, net	\$ 1,005,653	\$ 1,068,875

Depreciation expense was \$63,222 and \$71,311 for the years ended December 31, 2023 and 2022, respectively.

Note 6 - Debt

The Museum has a note payable to a bank which is due in monthly installments of \$1,263, including interest at a minimum of 5.75% (subject to the current index). The note payable is due in full in July 2027 and is collateralized by property with a book value of approximately \$158,000. As of December 31, 2023 and 2022, the balance due on the note payable was \$48,960 and \$61,926, respectively.

Future maturities on the note payable are as follows as of December 31:

2024	\$ 12,660
2025	13,415
2026	14,207
2027	8,678
Total	\$ 48,960

Note 7 - 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, 2023 and 2022, no employer matching contributions were made into the Plan by the Museum.

Note 8 - Board Designated for Specified Purpose

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

	2023	2022
Grassland restoration	\$ 367,016	\$ 500,000
Internship program	296,307	399,544
Operating reserve	200,000	200,000
Artillery Sheds restoration	63,324	65,396
Total board designated for specified purpose	\$ 926,647	\$ 1,164,940

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Note 9 - Net Assets With Donor Restrictions

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

	2023	2022
Subject to expenditure for specified purpose/period:		
Master Plan strategic initiatives	\$ 1,108,547	\$ -
Artillery sheds project	164,587	200,000
Timing restrictions	50,000	-
Education/Outreach programs	-	18,625
Total subject to expenditure for specified purpose/period	1,323,134	218,625
Endowments:		
Subject to appropriation and expenditure in accordance with donor restrictions:		
Available for general operations	2,526,593	994,277
Available for maintenance of Robert Irwin Installation	73,283	30,343
Total endowments subject to appropriation and expenditure in accordance with donor restrictions	2,599,876	1,024,620
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
Total perpetual in nature	13,237,422	13,237,422
Total net assets with donor restrictions	\$ 17,160,432	\$ 14,480,667

During 2023 and 2022, 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:

	2023	2022
Chinati Weekend	\$ 338,512	\$ 189,845
Education/Outreach programs	170,127	87,100
Master Plan strategic initiatives	126,951	245,500
Artillery Sheds	50,413	-
Temporary exhibitions	24,500	65,000
Newsletter	10,000	10,000
Artist-in-Residence	10,000	-
Internship program	5,000	5,000
Timing restrictions	-	5,000
General operations - appropriated from endowment	581,500	581,500
Total net assets released from restrictions	\$ 1,317,003	\$ 1,188,945

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Note 10 - 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.

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.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Endowment Net Asset Composition and Changes

Endowment net assets consist of the following at December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 323,130	\$ -	\$ 323,130
Donor-restricted endowment funds:			
Original donor restricted gift amount required to be maintained in perpetuity	-	13,237,422	13,237,422
Accumulated investment gains	-	2,599,876	2,599,876
Total endowments	\$ 323,130	\$ 15,837,298	\$ 16,160,428

Endowment net assets consist of the following at December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 279,641	\$ -	\$ 279,641
Donor-restricted endowment funds:			
Original donor restricted gift amount required to be maintained in perpetuity	-	13,237,422	13,237,422
Accumulated investment gains	-	1,024,620	1,024,620
Total endowments	\$ 279,641	\$ 14,262,042	\$ 14,541,683

The changes in the endowment funds for the years ended December 31, 2023 and 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2022	\$ 335,635	\$ 17,037,865	\$ 17,373,500
Fiscal year 2022 activity:			
Investment income	5,925	494,099	500,024
Net depreciation of investments	(54,213)	(2,612,336)	(2,666,549)
Investment management fees	(1,206)	(76,086)	(77,292)
Amounts appropriated for expenditure	(6,500)	(581,500)	(588,000)
Endowment net assets, December 31, 2022	279,641	14,262,042	14,541,683
Fiscal year 2023 activity:			
Investment income	8,227	341,277	349,504
Net appreciation of investments	42,921	1,887,517	1,930,438
Investment management fees	(1,159)	(72,038)	(73,197)
Amounts appropriated for expenditure	(6,500)	(581,500)	(588,000)
Endowment net assets, December 31, 2023	\$ 323,130	\$ 15,837,298	\$ 16,160,428

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Note 11 - Concentrations

FDIC Concentration

The Museum maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. At December 31, 2023 and 2022, the Museum had deposits in financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation of \$2,658,845 and \$2,455,639, 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.

Donor Concentration

For the years ended December 31, 2023 and 2022, contributions totaling approximately \$454,000 and \$405,000, respectively, were made to the Museum by members of the Board for operating support and strategic initiatives. For the year ended December 31, 2023, two contributors accounted for approximately 45% of total contributions and grants revenue. For the year ended December 31, 2022, two contributors accounted for approximately 30% of total contributions and grants revenue. At December 31, 2023 and 2022, the Museum had receivable balances from Board members of approximately \$70,000 and \$225,000, respectively.

Note 12 - Contributed Nonfinancial Assets

During the years ended December 31, 2023 and 2022, the Museum recognized contributed nonfinancial assets of \$22,505 and \$14,150, respectively, for professional services from attorneys advising the Museum on various administrative legal matters. Contributed professional services are valued and reported at their estimated fair value based on information provided by the attorney firm.

Note 13 - Liquidity and Availability of Resources

The following table reflects the Museum's financial assets at December 31, 2023 and 2022, 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 restoration or other strategic initiative projects included within the Master Plan.

	<u>2023</u>	<u>2022</u>
Financial assets available within one year:		
Cash and cash equivalents	\$ 2,667,617	\$ 2,428,746
Contribution receivables due within one year	1,844,548	241,688
Other receivables due within one year	-	6,688
Endowment investments	16,160,428	14,541,683
Total financial assets available within one year	<u>20,672,593</u>	<u>17,218,805</u>
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	(323,130)	(279,641)
Board designated net assets	(926,647)	(1,164,940)
Donor-restricted for items other than general expenditures	<u>(2,176,462)</u>	<u>(636,619)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,008,932</u>	<u>\$ 1,900,183</u>

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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, which is included in the “donor restricted for items other than general expenditures”, is subject to the endowment spending policy as described in Note 10 and may be used for operating purposes.

