

AMERICA'S AUTOMOTIVE TRUST  
CONSOLIDATED FINANCIAL STATEMENTS  
With Independent Auditor's Report  
YEARS ENDED DECEMBER 31, 2021 AND 2020

AMERICA'S  
AUTOMOTIVE  
*Trust*

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CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
America's Automotive Trust  
Tacoma, Washington

We have audited the accompanying consolidated financial statements of America's Automotive Trust, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audits and the report of the other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of America's Automotive Trust and its subsidiaries as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of America On Wheels, a subsidiary, which statements reflect total assets constituting 7 percent and 0 percent, respectively, of consolidated total assets as of December 31, 2021 and 2020, and total revenues constituting 18 percent and 0 percent, respectively, of consolidated total revenues for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for America On Wheels, is based solely on the report of the other auditors.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of America's Automotive Trust 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 America's Automotive Trust'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 America's Automotive Trust'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.

*Jacobson Jarvis & Co, PLLC*

Jacobson Jarvis & Co, PLLC  
Seattle, Washington  
June 11, 2022

AMERICA'S AUTOMOTIVE TRUST

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 2,489,650	\$ 1,486,781
Contributions receivable, net - current	1,032,672	755,224
Other receivables	72,416	-
Inventory	50,194	-
Prepaid expenses	98,339	89,327
	<u>3,743,271</u>	<u>2,331,332</u>
Long-Term and Other Assets		
Cash restricted for investment in exhibitions	534,423	253,249
Cash restricted for endowment	80,000	80,000
Investments	393,162	-
Contributions receivable, net - long-term	2,980,601	2,718,968
Property and equipment, net	44,738,807	42,432,123
Other assets	587,313	317,861
Classic and antique cars - not accessed	3,457,797	4,479,697
Collection (Note E)	-	-
	<u>\$56,515,374</u>	<u>\$52,613,230</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 170,929	\$ 70,564
Accrued expenses	719,181	241,249
Deferred membership revenue	92,982	164,925
Refundable advances	1,115,971	638,144
Current portion of long-term debt	1,536,488	381,361
	<u>3,635,551</u>	<u>1,496,243</u>
Interest rate swap value	161,083	298,413
Long-term debt, net of current portion above	<u>6,516,707</u>	<u>6,781,069</u>
	<u>10,313,341</u>	<u>8,575,725</u>
Net Assets		
Without donor restrictions	40,934,025	39,944,643
With donor restrictions	5,268,008	4,092,862
	<u>46,202,033</u>	<u>44,037,505</u>
Total Liabilities and Net Assets	<u>\$56,515,374</u>	<u>\$52,613,230</u>

See notes to consolidated financial statements.

AMERICA'S AUTOMOTIVE TRUST  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>						
<b>Revenue</b>						
Admissions	\$ 776,638		\$ 776,638	\$ 269,957		\$ 269,957
Memberships	104,964		104,964	43,724		43,724
Guest services	304,884		304,884	73,564		73,564
Tours and events	160,487		160,487	98,080		98,080
Other earned revenue	271,072		271,072	77,943		77,943
Total Revenue	<u>1,618,045</u>		<u>1,618,045</u>	<u>563,268</u>		<u>563,268</u>
<b>Support</b>						
Contributions	3,791,014	\$ 1,545,193	5,336,207	3,569,471	\$ 871,494	4,440,965
In-kind contributions	1,310,558	13,200	1,323,758	130,681	-	130,681
Total Support	<u>5,101,572</u>	<u>1,558,393</u>	<u>6,659,965</u>	<u>3,700,152</u>	<u>871,494</u>	<u>4,571,646</u>
<b>Net Assets Released from Restrictions</b>						
Satisfaction of time restrictions	262,771	(262,771)	-	149,862	(149,862)	-
Satisfaction of purpose restrictions	135,476	(135,476)	-	320,826	(320,826)	-
Total Net Assets Released from Restrictions	<u>398,247</u>	<u>(398,247)</u>	<u>-</u>	<u>470,688</u>	<u>(470,688)</u>	<u>-</u>
Total Revenue and Support	<u>7,117,864</u>	<u>1,160,146</u>	<u>8,278,010</u>	<u>4,734,108</u>	<u>400,806</u>	<u>5,134,914</u>
<b>Expenses</b>						
Program services	5,029,513		5,029,513	3,279,768		3,279,768
Management and general	1,270,751		1,270,751	828,397		828,397
Fundraising	1,199,580		1,199,580	822,891		822,891
Total Expenses	<u>7,499,844</u>		<u>7,499,844</u>	<u>4,931,056</u>		<u>4,931,056</u>
Change in Net Assets Before Gains and (Losses)	<u>(381,980)</u>	<u>1,160,146</u>	<u>778,166</u>	<u>(196,948)</u>	<u>400,806</u>	<u>203,858</u>
<b>Gains and (Losses)</b>						
Initial consolidation of America On Wheels	2,309,782	15,000	2,324,782	-	-	-
Accession of classic and antique cars into collection	(1,063,600)	-	(1,063,600)	(61,500)	-	(61,500)
Change in value of interest rate swap	137,329	-	137,329	(146,992)	-	(146,992)
Net gains on investment activity	17,251	-	17,251	-	-	-
Gain on valuation of assets	12,051	-	12,051	-	-	-
Known and estimated loss on uncollectible contributions receivable	(41,451)	-	(41,451)	(50,292)	(89,223)	(139,515)
Total Gains and (Losses)	<u>1,371,362</u>	<u>15,000</u>	<u>1,386,362</u>	<u>(258,784)</u>	<u>(89,223)</u>	<u>(348,007)</u>
Total Change in Net Assets	989,382	1,175,146	2,164,528	(455,732)	311,583	(144,149)
Net Assets - beginning of year	<u>39,944,643</u>	<u>4,092,862</u>	<u>44,037,505</u>	<u>40,400,375</u>	<u>3,781,279</u>	<u>44,181,654</u>
Net Assets - end of year	<u>\$ 40,934,025</u>	<u>\$ 5,268,008</u>	<u>\$ 46,202,033</u>	<u>\$ 39,944,643</u>	<u>\$ 4,092,862</u>	<u>\$ 44,037,505</u>

AMERICA'S AUTOMOTIVE TRUST

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021				2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,352,891	\$ 601,607	\$ 265,098	\$ 2,219,596	\$ 887,491	\$ 470,296	\$ 234,627	\$ 1,592,414
Payroll taxes and benefits	351,697	134,393	52,180	538,270	322,543	107,929	60,895	491,367
Total payroll expenses	1,704,588	736,000	317,278	2,757,866	1,210,034	578,225	295,522	2,083,781
Depreciation	1,276,801	426	-	1,277,227	1,174,508	852	-	1,175,360
In-kind expense	654,694	133,650	208,542	996,886	52,551	-	74,420	126,971
Professional fees	220,592	159,053	199,109	578,754	165,212	87,653	198,246	451,111
Cultivation and events	19,723	10,200	269,003	298,926	47,616	1,464	173,084	222,164
Interest expense	210,602	-	-	210,602	198,867	-	-	198,867
Occupancy	161,002	21,253	-	182,255	88,536	-	1,566	90,102
Insurance	78,642	86,435	-	165,077	41,114	83,877	-	124,991
Grants and scholarships	162,087	-	-	162,087	45,482	-	-	45,482
Advertising	129,979	-	566	130,545	12,353	-	462	12,815
Repairs and maintenance	52,967	15,208	44,296	112,471	45,604	7,936	-	53,540
Computer related expenses	48,510	8,986	45,834	103,330	31,491	14,847	18,964	65,302
Bank fees	76,879	5,793	20,322	102,994	46,031	2,236	16,404	64,671
Travel and meetings	34,830	29,645	19,910	84,385	19,369	22,222	2,005	43,596
Miscellaneous	15,176	32,678	31,058	78,912	13,939	3,671	27,312	44,922
Exhibition cost	75,168	-	-	75,168	12,075	-	-	12,075
General operating	38,882	24,128	11,123	74,133	25,745	17,683	2,228	45,656
Printing and publications	31,930	5,162	32,191	69,283	13,530	5,571	12,678	31,779
Contract services	20,071	2,028	165	22,264	18,911	2,160	-	21,071
Collection cost	16,390	106	183	16,679	16,800	-	-	16,800
Total expenses	\$ 5,029,513	\$ 1,270,751	\$ 1,199,580	\$ 7,499,844	\$ 3,279,768	\$ 828,397	\$ 822,891	\$ 4,931,056

AMERICA'S AUTOMOTIVE TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from:		
Guests	\$ 1,275,030	\$ 519,520
Donors	4,117,531	4,255,215
Other income	257,358	81,305
Cash paid for:		
Personnel	(2,696,291)	(2,212,411)
Services and supplies	(1,914,353)	(1,534,507)
Interest	(179,228)	(176,429)
Net Cash Provided by Operating Activities	<u>860,047</u>	<u>932,693</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	18,595	-
Purchases of property and equipment	(269,281)	(10,028)
Proceeds received upon consolidation of AOW	73,102	-
Net Cash Used by Investing Activities	<u>(177,584)</u>	<u>(10,028)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from refundable advances	1,115,971	638,144
Proceeds from issuance of long-term debt	262,000	304,177
Repayment of long-term debt	(776,391)	(1,349,665)
Net Cash Provided (Used) by Financing Activities	<u>601,580</u>	<u>(407,344)</u>
Net Change in Cash and Cash Equivalents	1,284,043	515,321
Cash, Cash Equivalents, and Restricted Cash, beginning of year	<u>1,820,030</u>	<u>1,304,709</u>
Cash, Cash Equivalents, and Restricted Cash, end of year	<u>\$ 3,104,073</u>	<u>\$ 1,820,030</u>

**Reconciliation of Cash, Cash Equivalents and Restricted Cash to the Statement of Cash Flows**

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,489,650	\$ 1,486,781
Cash restricted for investment in exhibitions	534,423	253,249
Cash restricted for endowment	<u>80,000</u>	<u>80,000</u>
	<u>\$ 3,104,073</u>	<u>\$ 1,820,030</u>



# AMERICA'S AUTOMOTIVE TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

### NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

In 1998, Harold and Nancy LeMay formed The Harold E. LeMay Museum, now called LeMay - America's Car Museum (ACM), a nonprofit corporation in the state of Washington. They committed themselves to donating a portion of the vast LeMay Collection to the museum for the benefit of the public. LeMay - America's Car Museum was chartered to secure, preserve, and interpret the valuable LeMay Collection, along with additional vehicles and artifacts that it may acquire in order to explore the broad themes of American mobility and lifestyle in an instructive and entertaining manner. Its primary sources of revenue and support are private contributions, grants, and museum admission tickets. Opened on June 1, 2012, the spacious museum with rotating exhibits is designed to be the centerpiece for automotive history as well as an educational center and library. The campus contains a 3.5-acre show field, theatre, store, cafe, banquet hall, and meeting facilities.

In 2010, as part of the New Markets Tax Credit financing package utilized for the construction of the museum and show field, two subordinate entities were created: LeMay-Dome Parking Association (DOME) and The Harold E. LeMay Museum (HELM). These organizations are registered with the state of Washington as nonprofit corporations. The board members of these two organizations are required to be board members of LeMay - America's Car Museum. The sole purpose of these organizations is to support LeMay - America's Car Museum.

In 2014, RPM Foundation, a 501(c)(3) organization, became a 509(a)(3) supporting organization. RPM Foundation is the first major museum-based program designed to train young people in the skills and trades necessary to preserve and restore collector vehicles and boats.

On January 1, 2017, America's Automotive Trust (AAT), a Washington not-for-profit corporation, was formed to secure America's automotive heritage through the support of cultural institutions displaying the history and cultural significance of the automobile; supporting educational and scholarship programs to ensure the skill sets necessary to perpetuate the maintenance and restoration of historic automobiles; establishing a system for recognition of historically significant automobiles; and providing active programs to encourage utilization of historic automobiles and engage the communities that support them. During 2019, the bylaws of AAT were amended such that the Board of Directors consists of those board members serving on the Board of Directors of ACM. Accordingly, beginning in 2019 the activity for AAT has been consolidated herein. AAT serves as the overarching entity of the consolidation.

In 2021, America On Wheels (AOW), a 501(c)(3) museum located in Allentown, Pennsylvania, was brought under the governance of the Museum's Board. AOW's mission of preserving, collecting and exhibiting a variety of artifacts, documents and items pertaining to over-the-road transportation aligns with the Museum's mission and fulfills the Museum's national mission by having an east coast presence. Accordingly, AOW's bylaws were amended to recognize the Museum's Board as its governing body. AOW's 2021 activity has been consolidated herein.

## AMERICA'S AUTOMOTIVE TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

#### NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Principles of consolidation

The consolidated financial statements include the accounts of America's Automotive Trust, LeMay - America's Car Museum, The Harold E. LeMay Museum, LeMay - Dome Parking Association, RPM Foundation, and America On Wheels (collectively, the Museum). The entities are under common control through a shared Board of Directors. All material inter-organization transactions have been eliminated in the consolidation.

##### Basis of presentation

The Museum presents its consolidated financial statements on an accrual basis of accounting in accordance with FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Museum is required to report information regarding its financial position and activities based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

##### Fair value measurements

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards defines fair value 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. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

## AMERICA'S AUTOMOTIVE TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

#### NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows which is a level 3 input. The Museum also uses fair value concepts to test various long-lived assets for impairment. There were no assets measured at fair value on a nonrecurring basis as of December 31, 2021 or 2020.

#### Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with remaining maturity at the date of purchase of three months or less. The Museum maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. The Museum has not experienced any losses in these accounts and management does not believe it is exposed to any significant credit risk.

#### Contributions receivable

Contributions receivable represents unconditional promises to give by donors and are stated at net realizable value. In accordance with financial accounting standards, unconditional promises to give are recognized as support in the period received.

#### Inventory

Inventory is stated at the lower of cost or market, using the first-in, first-out method of cost accumulation, and reflect items in the Museum's gift shops available for purchase by the public.

#### Other assets

Other assets includes two Auguste Rodin sculptures, L'age d'airain and Petite Eve, which the Museum received from donors during 2009. While it is the Museum's intent to sell these assets, they are not being actively held for sale at this time.

Also included in other assets are donated vehicles expected to be sold within one year of donation. Vehicles are recorded at expected resale price.

#### Property and equipment

Land, buildings, and equipment are stated at cost or, if donated, at fair value at the date of donation, less accumulated depreciation. The Museum capitalizes fixed assets with a cost greater than \$1,500. Maintenance and repair costs are expensed as incurred. The cost and related accumulated depreciation of significant assets sold or retired are removed from the property accounts and any resulting gain or loss is reported as an increase or decrease in net assets.

Depreciation is provided on the straight-line method over the assets' estimated useful lives, which, for building improvements is 15 years, for the building is 39 years, and for furniture and equipment is three to seven years.

AMERICA'S AUTOMOTIVE TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment for the Museum consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Building	\$ 33,981,591	\$33,981,591
Building improvements	5,932,524	1,351,843
Furniture and equipment	<u>4,723,157</u>	<u>3,498,104</u>
	44,637,272	38,831,538
Less accumulated depreciation	<u>(14,749,268)</u>	<u>(11,187,606)</u>
	29,888,004	27,643,932
Land	14,825,668	14,788,191
Construction in progress	<u>25,135</u>	<u>-</u>
	<u>\$ 44,738,807</u>	<u>\$42,432,123</u>

Concurrent with the consolidation of AOW, building improvements increased \$4,580,681, furniture and equipment increased \$1,225,053, and land increased \$37,477 as of January 1, 2021. Accumulated depreciation on depreciable assets increased \$2,284,438 as of January 1, 2021.

The Museum, using its best estimates based on reasonable and supportable assumptions and projections, reviews for impairment of long-lived assets when indicators of impairment are identified. The review addresses the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, asset impairment is recognized. There were no impairment losses on the Museum's assets, including the classic and antique cars, for the years ended December 31, 2021 and 2020.

In 2010, the City of Tacoma donated 7.8 acres of land valued at \$14,788,191 to the Museum subject to certain restrictions. So long as the Museum's \$3.6 million HUD loan (see Note J) is outstanding, the donated land may not be used as collateral. Once the HUD loan has been satisfied, the land may be utilized as collateral to fund expansion or capital improvements to the Museum.

Revenue and support

*Admissions*

Admissions revenue includes ticket sales for admission into the museum, adjusted for discounts and promotions. Admissions revenue is recorded at time of admission.

*Memberships*

Membership dues, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided and a contribution element for the difference between the total dues paid and the exchange element. The Museum recognizes the exchange element of membership dues over the membership period and recognizes the contribution portion immediately.

AMERICA'S AUTOMOTIVE TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Guest services*

The Museum collects revenue from various guest attractions and services, such as slot car racing, racing simulators and guest parking. Guest services revenue is recorded at the point of sale.

*Tours and events*

Tours and events revenue primarily consists of private event space rental fees and related income, such as catering commissions and group tour tickets. Revenue is recognized on completion of the private event or group tour.

*Other earned revenue*

Other earned revenue includes income from sources unrelated to the Museum's normal activities, such as parking revenue as the result of events held at the adjacent Tacoma Dome and Club Auto car storage fees. This revenue is generally recognized at the point of sale.

*Contributions*

The Museum recognizes contributions when cash, securities or other assets, and unconditional promises to give or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return or release, are not recognized until the conditions on which they depend have been met.

Donor-restricted support is reported as an increase in donor-restricted net assets depending on the nature of the restriction. When restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor-restricted net assets are reported as net assets released from restrictions.

Gifts of equipment are reported as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

*In-kind donations*

Donated goods are recorded at their estimated fair value at the date of donation. Donated rent is recognized at the fair value of the space occupied. Donated services are recorded as in-kind contributions and are recognized as revenue at estimated values at the date of receipt if they (a) create or enhance non-financial assets, or (b) require specialized skills and would need to be purchased if not provided by donation. Corresponding expenses are recognized as the assets and services are utilized. A number of volunteers have donated time to the Museum's programs and fundraising activities. The services of those volunteers are not recorded in the consolidated financial statements as they do not meet the criteria for recognition.

AMERICA'S AUTOMOTIVE TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind contributions are as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Donated goods	\$ 199,477	\$ 89,429
Donated services	60,182	18,352
Donated use of facility	534,599	-
Donated classic and antique cars	<u>529,500</u>	<u>22,900</u>
	<u>\$ 1,323,758</u>	<u>\$ 130,681</u>

Derivative financial instruments

In accordance with financial accounting standards, all derivative financial instruments are recognized in the consolidated financial statements and measured at fair value. The Museum entered into an interest rate swap contract in May 2017 in order to manage the interest rate risk on long-term borrowings. This contract is designated as a cash flow hedge and is used to reduce the exposure to possible increases in interest rates.

Expense allocation

Directly identifiable expenses are charged to program, fundraising, and management and general expenses. Expenses relating to more than one function are charged to the function based on an estimate of utilization for that particular function. Management and general expenses include those expenses that are not directly identifiable with any specific function but to provide for the overall support of the Museum.

Advertising

The Museum expenses the costs of advertising as incurred. Advertising expense for the years ended December 31, 2021 and 2020, was \$130,545 and \$12,815, respectively.

Federal income tax

America's Automotive Trust, LeMay - America's Car Museum, and America on Wheels are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Harold E. LeMay Museum and LeMay - Dome Parking Association are 509(a)(3) supporting organizations of LeMay - America's Car Museum. RPM Foundation is a 509(a)(3) supporting organization of America's Automotive Trust. Net unrelated business income, if any, is subject to federal income taxes under Sections 512 and 514. Taxes paid, if any, are immaterial to the Museum.

The Museum evaluates its uncertain tax positions and a loss contingency is recognized only when it is more likely than not the tax position will not be sustained on examination by tax authorities, based on technical merits of the position. The Museum recognizes interest and penalties related to income tax matters in income tax expense, if applicable. As of December 31, 2021, the Museum is not aware of any uncertain tax positions that require accrual.

AMERICA'S AUTOMOTIVE TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 2020 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the net assets or change in net assets as of or for the year ended December 31, 2020.

NOTE B - FAIR VALUE MEASUREMENTS

Assets carried at fair value on a recurring basis as of December 31, 2021 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Bond funds	\$ 259,542	\$ -	\$ -	\$ 259,542
Large cap value	133,620	-	-	133,620
	<u>\$ 393,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 393,162</u>

The Museum held no investments as of December 31, 2020.

NOTE C - LIQUIDITY

The Museum receives significant contributions and promises to give which are restricted by donors, and considers contributions without donor restrictions, board-designated and restricted for programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Museum manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Museum strives to maintain current financial assets less current liabilities at a minimum to support 30 days of operating expenses. The Museum targets a year-end balance of reserves of unrestricted, undesignated net assets to meet 15 to 30 days of expected expenditures.

AMERICA'S AUTOMOTIVE TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE C - LIQUIDITY (Continued)

The table below presents financial assets available for general expenditures within one year at December 31:

	<u>2021</u>	<u>2020</u>
Total cash and receivables	\$ 7,189,762	\$ 5,294,222
Less: Promises to give in-kind	<u>(240,926)</u>	<u>(238,553)</u>
Total financial assets	6,948,836	5,055,669
Less Donor-imposed restrictions:		
Purpose restricted	(1,248,526)	(714,368)
Time restricted to future periods of more than one year	(138,598)	(251,054)
Endowments	<u>(3,054,553)</u>	<u>(2,133,665)</u>
Net financial assets after donor-imposed restrictions	2,507,159	1,956,582
Less Internal designations:		
Proceeds from sale of collection held for purchase of collection items	(210,056)	(168,024)
Board-designated reserve for debt reduction	<u>(268,456)</u>	<u>(142,456)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,028,647</u>	<u>\$ 1,646,102</u>

NOTE D - CONTRIBUTIONS RECEIVABLE

Contributions receivable (promises to give) due in more than one year are recorded at the present value of estimated future cash flows using discount rates ranging from 1.06% to 1.65%. As of December 31, 2021 and 2020, 25% and 46%, respectively, of total contributions receivable were due from one board member. Contributions receivable were as follows as of December 31:

	<u>2021</u>	<u>2020</u>
Contributions receivable restricted to:		
Endowment	\$ 3,370,323	\$ 2,821,274
Programs and exhibits	866,448	726,575
Future periods	<u>988,001</u>	<u>1,038,926</u>
	5,224,772	4,586,775
Less allowance for uncollectible	(100,974)	(59,523)
Less unamortized discount	<u>(1,110,525)</u>	<u>(1,053,060)</u>
Total contributions receivable, net	<u>\$ 4,013,273</u>	<u>\$ 3,474,192</u>



AMERICA'S AUTOMOTIVE TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE D - CONTRIBUTIONS RECEIVABLE (Continued)

Contributions receivable expected to be collected during the year ending December 31:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 1,032,671	\$ 755,224
One to five years	221,779	410,279
More than five years	<u>3,970,322</u>	<u>3,421,272</u>
Total contributions receivable	<u>\$ 5,224,772</u>	<u>\$ 4,586,775</u>

NOTE E - COLLECTION

The Museum's collection consists of automobiles and other memorabilia that are held for public exhibition, education and curatorial purposes. The Museum has policies in place to ensure that the collection is adequately displayed, stored, protected, and maintained. The collection has been acquired through purchases and contributions since the Museum's inception.

The Museum has adopted a policy of not capitalizing the collection in its consolidated financial statements. Accordingly, no collection items are recognized as assets, whether they are purchased or received as a donation. Purchases of collection items reduce net assets in the period when purchased. Proceeds from sales or insurance recoveries are recorded as increases in net assets when received. It is the policy of the Museum that proceeds from the sale of any collection items are to be used to purchase additional collection items, the direct care of existing collection items, or both.

Vehicles donated to the Museum undergo a thorough evaluation to determine whether they should be accessed into the collection. During this determination process, they are held on the books of the Museum and reported as "classic and antique cars - not accessed" on the consolidated statements of financial position. For donated items in excess of \$5,000, the museum obtains appraisals to determine the fair value. In order to determine the fair value of items less than \$5,000, the Museum's collection manager utilizes the donor's listed value, pricing guides, and other reference material to develop a conservative estimate of the item's fair value.

Items which are approved by the Conservator in conjunction with the Collection Committee to be accessed into the collection are transferred off the books of the Museum and into the collection. Items which are to be sold are reclassified into "vehicles held for sale" until they can be sold.

NOTE F - REFUNDABLE ADVANCES

In April 2020, the Museum applied for and received a Paycheck Protection Program ("PPP") loan through Columbia State Bank in the amount of \$638,144. The loan was funded on April 28, 2020 and has a maturity date of April 28, 2022. PPP loans have a forgiveness option for employers who maintain their staffing levels and salaries at pre-COVID-19 pandemic levels. Expenses eligible to trigger forgiveness include employee wages, benefits, office utilities, and loan interest payments.

AMERICA'S AUTOMOTIVE TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE F - REFUNDABLE ADVANCES (Continued)

The Museum entered into the program with the intention of complying with the terms for forgiveness and has recognized the loan as a conditional grant. Should the Museum fail to meet the terms for forgiveness, interest at a rate of 1% will be added to the amount owing and the first monthly payment of \$35,913 would have been due November 28, 2020, but repayment was deferred pending a determination of forgiveness. Forgiveness was granted on July 6, 2021.

In April 2021, the Museum applied for and received a second Paycheck Protection Program ("PPP") loan through Columbia State Bank in the amount of \$638,142. The loan was funded on April 12, 2021 and has a maturity date of April 12, 2026. PPP loans have a forgiveness option for employers who maintain their staffing levels and salaries at pre-COVID-19 pandemic levels. Expenses eligible to trigger forgiveness include employee wages, benefits, office utilities, and loan interest payments. The Museum entered into the program with the intention of complying with the terms for forgiveness and has recognized the loan as a conditional grant. Should the Museum fail to meet the terms for forgiveness, interest at a rate of 1% will be added to the amount owing and the first monthly payment of \$14,635 would have been due August 12, 2022, but repayment has been deferred pending a determination of forgiveness.

In 2021, the Museum applied for and received two Shuttered Venue Operators Grants. As of December 31, 2021, the Museum had yet to spend the second grant of \$477,829. Management anticipates fully expending the grant in compliance with grant terms in 2022.

NOTE G - LEASES

The Museum has an operating lease with Allentown Economic Development Authority to lease land located in Allentown, Pennsylvania, which is the site of America On Wheels. The annual lease is \$1 per year through April 2026. The lease may be renewed for two additional terms of 25 years beyond each expiration date, provided the rent for each renewal term shall be mutually agreed upon by both parties. The difference between the market rent and the \$1 annual rent paid is recorded as a gift in-kind from the landlord as rental expense of the Museum. In-kind rental expense for 2021 was \$534,599.

The Museum also subleases office space in the America On Wheels facility to another organization. The lease agreement expires December 31, 2026. Future minimum receipts are as follows for the years ending December 31:

2022	\$	18,540
2023		18,911
2024		19,289
2025		19,675
2026		20,068
	\$	<u>96,483</u>

AMERICA'S AUTOMOTIVE TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE H - DERIVATIVE FINANCIAL INSTRUMENTS

In May 2017, the Museum refinanced its interest rate swap agreement that effectively converted \$2,500,000 of a variable-rate loan issue to a fixed interest rate of 5.15% with an effective date of June 1, 2017.

In accordance with financial accounting standards, all derivatives, whether designated as hedging relationships or not, are required to be recorded on the consolidated statement of financial position at fair value. The effective gains and losses of the cash flow hedges are recognized in the consolidated statement of activities as a change in net assets when the hedged item affects current period earnings. The fair value of the interest rate swap is based on current market price.

For the years ended December 31, 2021 and 2020, variable interest rates have fluctuated, resulting in the recording of a total interest rate swap liability of \$161,083 and \$298,413, respectively.

Interest incurred and paid under this swap agreement is as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Interest incurred at variable rate	\$ 60,448	\$ 74,286
Additional interest incurred at fixed rate	<u>58,703</u>	<u>48,165</u>
Interest paid at fixed rate	<u>\$ 119,151</u>	<u>\$ 122,451</u>

NOTE I - THIRD PARTY CREDIT ENHANCEMENTS

One of the Museum's board members provided the Museum's bank with additional guarantees for a specific loan. The board member allowed the Museum to use his business property as collateral for the loan and provided his personal guarantee. The Museum explored various methods for determining a fair value for these guarantees, but found these methods to be impractical and, in accordance with financial accounting standards, no value has been recorded. However, without these guarantees the Museum would not have been able to complete the financing package that funded the construction of the Museum. The personal guarantee was removed from the loan in 2020.

NOTE J - LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Note payable to Columbia Bank, bearing interest at 6% until paid in full. The note is secured by all inventory and equipment including three racing simulators. The loan requires monthly principal and interest payments starting May 1, 2019 through maturity date of April 1, 2022.	\$ 5,332	\$ 20,699

AMERICA'S AUTOMOTIVE TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE J - LONG-TERM DEBT (Continued)	<u>2021</u>	<u>2020</u>
<p>Note payable (America On Wheels) to ACMC Lender LLC. The note has been in forbearance since 2016, during which period no principal or interest payments are due, but interest accrues at 3.00% per annum. The forbearance agreement was extended in 2020 and the balance is now due May 31, 2023. Accrued interest totaled \$408,894 as of December 31, 2021.</p>	973,782	-
<p>Note payable to Columbia Bank, bearing interest at 30 day LIBOR +2.5% floating (0.104% as of December 31, 2021). An interest rate swap effective May 2017 sets the interest rate for the loan at 5.15%. The note is secured by a first deed of trust, assignment of rents, and commercial property. The commercial property is owned by a company of one of the Museum's board members and not by the Museum. In addition, the note is further secured by a first position blanket UCC filing and security agreement on all of the borrower's assets, including a recorded assignment of rents and leases on the Museum's Lots "B" and the "Showfield". The loan requires monthly principal and interest payments starting July 1, 2017 through maturity date of May 1, 2027.</p>	2,252,200	2,312,200
<p>Note payable to City of Tacoma (HUD), funded by a Community Development Block Grant Section 108 Guarantee Loan, and bearing interest of LIBOR + 0.7% (0.2% as of December 31, 2021) thereafter until conversion to a fixed interest rate. Interest-only payments were due in the initial period, from May 28, 2010 through August 1, 2017. In August 2017, this note was amended and payment was extended with annual principal payments due each August 1, through maturity on August 1, 2029. The note is secured by a first lien deed of trust (The HUD Deed of Trust) on the property, a first lien security interest (the "Pledge Lien") on any future pledge of capital contribution made to Borrower (excluding the first \$500,000 of building restricted pledges), and a first lien security interest on seventeen vehicles currently included in classic and antique cars with a book value of \$2.9 million.</p>	2,392,000	2,651,000

AMERICA'S AUTOMOTIVE TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE J - LONG-TERM DEBT (Continued)	<u>2021</u>	<u>2020</u>
<p>The Museum and the City of Tacoma entered into an agreement for utility infrastructure installation as part of the Museum's new building construction. The associated costs were to be funded through a Local Improvement District. The district was formed in 2010 and utility construction occurred during 2011. In 2013 the final assessment of \$422,092 was confirmed after a formal hearing. The amount is payable in 10 annual principal installments with interest. The first installment was due October 25, 2014. Annual interest rate will be fixed by the ordinance authorizing the issuance and sale of bonds to finance the assessment. Any payment made after the due date includes a full year's interest.</p>	84,419	126,628
<p>Note payable (LeMay - America's Car Museum) to The Tacoma Community Redevelopment Authority, bearing interest at 0.865% per annum. Annual installment payments of \$29,006 are deferred for 24 months, with the first payment due July 2023. The note matures in July 2031 and is secured by an extension of the HUD Section 108 loan with the City of Tacoma (above). The note balance includes capitalized interest of \$1,129 at December 31, 2021.</p>	262,184	-
<p>In 2007, the Museum was granted a Washington State Historic Automobile Museum Sales and Use Tax Deferral Certificate for costs associated with the construction of its building. In 2013 the final state audit report was completed. Total tax assessment is \$1,994,540 and payable over 10 years beginning December 31, 2017. In 2017, this assessment was extended five years by state legislation, allowing payments to begin on December 31, 2022. Interest on this non-interest bearing note has been imputed at a rate of 1.6% per annum.</p>	1,770,164	1,747,725
<p>Economic Injury Disaster Loan (EIDL) payable (LeMay - America's Car Museum) to US Small Business Administration (SBA), bearing interest at 2.75% per annum. Installment payments of \$641, including principal and interest, are deferred for 12 months with the first payment due June 2021. The loan matures in June 2050. The note is secured by all inventory, equipment and receivables. The note balance includes capitalized interest of \$6,557 and \$2,089, respectively, at December 31, 2021 and 2020.</p>		

AMERICA'S AUTOMOTIVE TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE J - LONG-TERM DEBT (Continued)	<u>2021</u>	<u>2020</u>
In January 2022, LeMay - America's Car Museum received from the SBA an additional EIDL for \$1,850,000, bringing the total note to \$2,000,000. The new monthly installment payments, including principal and interest, increased to \$8,670, with payment deferred for 30 months from the date of the original note. The first monthly payment is due December 2022. The original maturity date, interest rate and security are unchanged.	156,557	152,089
Economic Injury Disaster Loan (EIDL) payable (LeMay - Dome Parking Association) to US Small Business Administration, bearing interest at 2.75% per annum. Installment payments of \$641, including principal and interest, are deferred for 12 months with the first payment due June 2021. The loan matures in June 2050. The note is secured by all inventory, equipment and receivables. The note balance includes capitalized interest of \$6,557 and \$2,089, respectively, at December 31, 2021 and 2020.		
In January 2022, LeMay - Dome Parking Association received from the SBA an additional EIDL for \$350,000, bringing the total note to \$500,000. The new monthly installment payments, including principal and interest, increased to \$2,186, with payment deferred for 30 months from the date of the original note. The first monthly payment is due December 2022. The original maturity date, interest rate and security are unchanged.	<u>156,557</u>	<u>152,089</u>
Total	8,053,195	7,162,430
Less current portion of long-term debt	<u>(1,536,488)</u>	<u>(381,361)</u>
	<u>\$ 6,516,707</u>	<u>\$ 6,781,069</u>

Scheduled principal reductions of long-term debt are as follows for the year ending December 31:

2022	\$ 1,536,488
2023	598,285
2024	568,879
2025	581,689
2026	594,505
Thereafter	<u>4,173,349</u>
	<u>\$ 8,053,195</u>

Included under the terms of the note agreements are covenants that require the maintenance of various minimum financial ratios and filing requirements for annual audited financial statements. Management represents that the Museum is in compliance with these requirements.

AMERICA'S AUTOMOTIVE TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are as follows at December 31:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purpose:		
Available for future periods	\$ 1,398,821	\$ 1,244,829
RPM Foundation activities	474,686	454,648
Other programs	<u>775,841</u>	<u>259,720</u>
	<u>2,649,348</u>	<u>1,959,197</u>
Endowments:		
Subject to endowment spending policy and appropriation:	-	-
Not subject to spending policy or appropriation:		
Promises to give	3,370,323	2,821,274
Discount to net present value	<u>(831,663)</u>	<u>(767,609)</u>
	2,538,660	2,053,665
Promises to give, net		
Cash and cash equivalents	<u>80,000</u>	<u>80,000</u>
	<u>2,618,660</u>	<u>2,133,665</u>
Total net assets with donor restrictions	<u>\$ 5,268,008</u>	<u>\$ 4,092,862</u>

NOTE L - RELATED PARTY

During 2019, AAT hired a new CEO on a part-time basis who is also the part-time CEO for TechForce Foundation (TechForce), a 501c3 organization located in Scottsdale, Arizona. TechForce's mission, which is to champion students to and through their education and into careers as professional technicians, complements the mission of the Museum. It is believed that by combining the mutual resources of TechForce and the Museum, a greater level of efficiency in delivering both missions would be achieved. During 2020, however, the Board terminated its relationship with TechForce and its CEO. There were no material financial transactions between the Museum and TechForce during the year ended December 31, 2020.

NOTE M - RETIREMENT PLAN

The Museum sponsors a 403(b) defined contribution pension plan. Employees may contribute up to the Internal Revenue Service limits per year. The Museum matches eligible employees' contributions up to 5% of their compensation. Eligible employees include those having one year of service and have reached age 21. For the years ended December 31, 2021 and 2020, the Museum contributed \$72,896 and \$53,675, respectively, in matching contributions. The Museum also provides a nonqualified, non-matching, deferred compensation plan open to certain senior management.

## AMERICA'S AUTOMOTIVE TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

#### NOTE N - COMMITMENTS

##### Option agreement

In August of 2007, the Museum exercised an option agreement with the City of Tacoma (the City) to acquire approximately 7.8 acres of land located near the Tacoma Dome, through a donation by the City, for the new location of the Museum. The Museum closed on the land in May of 2010 and retains a 20-year option for an additional one-acre parcel which expires August 2027.

During 2020, the Museum had a \$500,000 revolving line of credit. Advances on the line of credit were payable on demand and accrued interest at 1.75 percentage points over the bank's base rate, but not less than 5% per annum. The line of credit was collateralized by the general assets of the Museum and guaranteed by a member of its Board of Directors. The line of credit matured in October 2020 and was not renewed. There was no balance outstanding at maturity.

#### NOTE O - ENDOWMENTS

The Museum's endowments consist of funds established for a variety of purposes. As required by financial accounting standards, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

##### **Interpretation of Relevant Law**

Endowments held by the entities located in Washington State are governed by the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA), as stated in the Revised Code of Washington (RCW) 24.55.

Endowments held by the entities located in the Commonwealth of Pennsylvania are governed by Pennsylvania Act 141, as amended from time to time.

The Museum's Board has interpreted this guidance as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum retains in perpetuity: (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

##### **Endowment Oversight**

##### **Investment and Spending Policy**

The Museum will use the endowment to pursue its mission and, in doing so, will seek an appropriate balance between two goals: providing stable and predictable resources year after year, and maintaining the real value of endowment assets and their revenue stream over the long term.



AMERICA'S AUTOMOTIVE TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE O - ENDOWMENTS (Continued)

Consistent with this philosophy, during times of high opportunity and change, the Museum may spend a higher amount of the income and gain produced by the endowment. During times of low opportunity and change, the Museum may spend a lower amount of the income and gain produced by the endowment. Annually, the Museum will spend no less than 4.0% and no more than 7.0% of its endowment fund's average fair market value over the prior 16 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned.

**Return Objectives, Risk Parameters, and Strategies Employed for Achieving Objectives**

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 endowments, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the approved benchmark, while assuming a moderate level of investment risk. The approved benchmark is comprised of publicly traded market index funds, as may be amended from time to time by the Board of Directors.

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 return objectives within prudent risk constraints.

Changes in endowment net assets are as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 2,545,422	\$ 1,822,383
Investment return:		
Investment income, net of investment fees	5,201	-
Net gains (losses)	503,930	311,282
Total investment return	509,131	311,282
Contributions	-	-
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 3,054,553</u>	<u>\$ 2,133,665</u>

The beginning endowment net assets as of January 1, 2021, increased by \$411,757 concurrent with bringing America On Wheels under common governance.

## AMERICA'S AUTOMOTIVE TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

#### NOTE P - RISKS AND UNCERTAINTIES

The Museum is subject to the risk and challenges associated with organizations at a similar stage of operation including dependence on key individuals, successful marketing of the Museum and its events, and ability to retain significant donors and sponsors.

The Museum operates in the not-for-profit sector, and accordingly, can be affected by a variety of factors. For example, management of the Museum believes that any of the following factors could have a significant negative effect on the Museum's future financial position, results of operations and cash flows: failure of its marketing efforts to grow attendance and membership, adverse economic conditions that impact customers' ability and willingness to attend events, and inability to retain significant donors.

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. On March 23, 2020, the Governor of Washington declared a health emergency and issued an order to close all nonessential businesses until further notice. Management continues to evaluate the financial impact of the COVID-19 pandemic and monitor carefully the effect on the Museum's financial position, changes in net assets, and cash flows in the future.

#### NOTE Q - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2021 through June 11, 2022 which is the date the consolidated financial statements were available to be issued, and has recognized in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at December 31, 2021, including the estimates inherent in the processing of the consolidated financial statements.

On February 23, 2022, America's Automotive Trust (AAT) received an EIDL for \$450,000 from the US Small Business Administration. The loan bears interest at 2.75% per annum. Monthly installment payments of \$2,020 are deferred for 30 months, with the first payment due August 2024. The loan matures in February 2052 and is secured by all inventory, equipment and receivables.

**SUPPLEMENTARY INFORMATION**

AMERICA'S AUTOMOTIVE TRUST

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021

	<u>AAT</u>	<u>ACM</u>	<u>HELM</u>	<u>DOME</u>	<u>RPM</u>	<u>AOW</u>	<u>Eliminations</u>	<u>Total</u>
<u>ASSETS</u>								
Current Assets								
Cash and cash equivalents	\$ 404,652	\$ 1,295,604	\$ 16,115	\$ 136,165	\$ 514,230	\$ 122,884	\$ -	\$ 2,489,650
Contributions receivable, net - current	695,186	249,486	-	-	88,000	-	-	1,032,672
Other receivables	440	219	-	-	-	71,757	-	72,416
Inventory	-	40,298	-	-	-	9,896	-	50,194
Prepaid expenses	42,980	47,495	-	-	-	7,864	-	98,339
Total Current Assets	1,143,258	1,633,102	16,115	136,165	602,230	212,401	-	3,743,271
Long-Term and Other Assets								
Cash restricted for investment in exhibitions	-	534,423	-	-	-	-	-	534,423
Cash restricted for endowment	-	20,000	-	-	60,000	-	-	80,000
Investments	-	-	-	-	-	393,162	-	393,162
Contributions receivable, net - long-term	146,283	2,746,901	-	-	87,417	-	-	2,980,601
Due from related entities	-	1,735,678	86,062	774,522	-	18,600	(2,614,862)	-
Property and equipment, net	-	40,416,715	-	886,169	-	3,435,923	-	44,738,807
Other assets	-	532,355	-	-	-	54,958	-	587,313
Classic and antique cars - not accessed	-	3,457,797	-	-	-	-	-	3,457,797
Total Assets	\$ 1,289,541	\$ 51,076,971	\$ 102,177	\$ 1,796,856	\$ 749,647	\$ 4,115,044	\$ (2,614,862)	\$ 56,515,374
<u>LIABILITIES AND NET ASSETS</u>								
Current Liabilities								
Accounts payable	\$ 55,346	\$ 45,525	\$ -	\$ 11,491	\$ 7,169	\$ 51,398	\$ -	\$ 170,929
Accrued expenses	-	231,659	-	69,336	-	418,186	-	719,181
Deferred membership revenue	92,982	-	-	-	-	-	-	92,982
Refundable advances	151,391	944,733	-	-	19,847	-	-	1,115,971
Current portion of long-term debt	-	477,924	-	84,782	-	973,782	-	1,536,488
Total Current Liabilities	299,719	1,699,841	-	165,609	27,016	1,443,366	-	3,635,551
Interest rate swap value	-	-	-	161,083	-	-	-	161,083
Due to Related Entities	1,634,139	855,805	4,779	-	120,139	-	(2,614,862)	-
Long-term debt, net of current portion above	-	4,156,316	-	2,360,391	-	-	-	6,516,707
Total Liabilities	1,933,858	6,711,962	4,779	2,687,083	147,155	1,443,366	(2,614,862)	10,313,341
Net Assets								
Without donor restrictions	(1,485,786)	40,540,962	97,398	(890,227)	111,472	2,671,678	(111,472)	40,934,025
With donor restrictions	841,469	3,824,047	-	-	491,020	-	111,472	5,268,008
Total Net Assets	(644,317)	44,365,009	97,398	(890,227)	602,492	2,671,678	-	46,202,033
Total Liabilities and Net Assets	\$ 1,289,541	\$ 51,076,971	\$ 102,177	\$ 1,796,856	\$ 749,647	\$ 4,115,044	\$ (2,614,862)	\$ 56,515,374

See notes to consolidated financial statements. 27

AMERICA'S AUTOMOTIVE TRUST

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020

	<u>AAT</u>	<u>ACM</u>	<u>HELM</u>	<u>DOME</u>	<u>RPM</u>	<u>Eliminations</u>	<u>Total</u>
<u>ASSETS</u>							
Current Assets							
Cash and cash equivalents	\$ 415,143	\$ 528,177	\$ 16,115	\$ 174,687	\$ 352,659	\$ -	\$ 1,486,781
Contributions receivable, net - current	421,486	256,738	-	-	77,000	-	755,224
Other receivables	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Prepaid expenses	4,441	84,886	-	-	-	-	89,327
Total Current Assets	841,070	869,801	16,115	174,687	429,659	-	2,331,332
Long-Term and Other Assets							
Cash restricted for investment in exhibitions	-	253,249	-	-	-	-	253,249
Cash restricted for endowment	-	20,000	-	-	60,000	-	80,000
Investments	-	-	-	-	-	-	-
Contributions receivable, net - long-term	291,252	2,264,469	-	-	163,247	-	2,718,968
Due from related entities	-	1,620,590	86,062	837,325	-	(2,543,977)	-
Property and equipment, net	-	41,403,455	-	1,028,668	-	-	42,432,123
Other assets	-	317,861	-	-	-	-	317,861
Classic and antique cars - not accessed	-	4,479,697	-	-	-	-	4,479,697
Total Assets	\$ 1,132,322	\$ 51,229,122	\$ 102,177	\$ 2,040,680	\$ 652,906	\$ (2,543,977)	\$ 52,613,230
<u>LIABILITIES AND NET ASSETS</u>							
Current Liabilities							
Accounts payable	\$ 50,089	\$ 3,222	\$ -	\$ 10,254	\$ 6,999	\$ -	\$ 70,564
Accrued expenses	8,000	186,435	-	46,814	-	-	241,249
Deferred membership revenue	164,925	-	-	-	-	-	164,925
Refundable advances	151,391	466,905	-	-	19,848	-	638,144
Current portion of long-term debt	-	300,760	-	80,601	-	-	381,361
Total Current Liabilities	374,405	957,322	-	137,669	26,847	-	1,496,243
Interest rate swap value	-	-	-	298,413	-	-	298,413
Due to Related Entities	1,573,726	918,608	4,779	-	46,864	(2,543,977)	-
Long-term debt, net of current portion above	-	4,342,757	-	2,438,312	-	-	6,781,069
Total Liabilities	1,948,131	6,218,687	4,779	2,874,394	73,711	(2,543,977)	8,575,725
Net Assets							
Without donor restrictions	(1,528,547)	42,209,506	97,398	(833,714)	92,846	(92,846)	39,944,643
With donor restrictions	712,738	2,800,929	-	-	486,349	92,846	4,092,862
Total Net Assets	(815,809)	45,010,435	97,398	(833,714)	579,195	-	44,037,505
Total Liabilities and Net Assets	\$ 1,132,322	\$ 51,229,122	\$ 102,177	\$ 2,040,680	\$ 652,906	\$ (2,543,977)	\$ 52,613,230

See notes to consolidated financial statements. 28

AMERICA'S AUTOMOTIVE TRUST  
CONSOLIDATING STATEMENTS OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021

	<u>AAT</u>	<u>ACM</u>	<u>HELM</u>	<u>DOME</u>	<u>RPM</u>	<u>AOW</u>	<u>Eliminations</u>	<u>Total</u>
Revenue and Support								
Revenue								
Admissions	\$ -	\$ 696,105	\$ -	\$ -	\$ -	\$ 80,533	\$ -	\$ 776,638
Memberships	104,964	-	-	-	-	-	-	104,964
Guest services	-	286,874	-	-	-	18,010	-	304,884
Tours and events	-	160,197	-	-	-	290	-	160,487
Other earned revenue	71,420	230,689	-	163,190	58,235	94,202	(346,664)	271,072
Total Revenue	176,384	1,373,865	-	163,190	58,235	193,035	(346,664)	1,618,045
Support								
Contributions	2,213,924	2,047,019	-	15,000	363,596	696,668	-	5,336,207
In-kind contributions	327,984	346,043	-	-	77,232	572,499	-	1,323,758
Total Support	2,541,908	2,393,062	-	15,000	440,828	1,269,167	-	6,659,965
Total Revenue and Support	2,718,292	3,766,927	-	178,190	499,063	1,462,202	(346,664)	8,278,010
Expenses								
Program services	532,388	2,859,756	-	372,032	469,766	798,268	(2,697)	5,029,513
Management and general	587,617	499,047	-	-	-	252,691	(68,604)	1,270,751
Fundraising	1,393,345	-	-	-	-	81,598	(275,363)	1,199,580
Total Expenses	2,513,350	3,358,803	-	372,032	469,766	1,132,557	(346,664)	7,499,844
Change in Net Assets Before Gains and (Losses)	204,942	408,124	-	(193,842)	29,297	329,645	-	778,166
Gains and (Losses)								
Initial consolidation of AOW	-	-	-	-	-	-	2,324,782	2,324,782
Accession of classic and antique cars to collection	-	(1,063,600)	-	-	-	-	-	(1,063,600)
Change in value of interest rate swap	-	-	-	137,329	-	-	-	137,329
Gain (loss) on investments	-	-	-	-	-	17,251	-	17,251
Gain (loss) on valuation of assets	-	12,051	-	-	-	-	-	12,051
Known and estimated loss on uncollectible contributions receivable	(33,450)	(2,001)	-	-	(6,000)	-	-	(41,451)
Total Gains and (Losses)	(33,450)	(1,053,550)	-	137,329	(6,000)	17,251	2,324,782	1,386,362
Total Change in Net Assets	171,492	(645,426)	-	(56,513)	23,297	346,896	2,324,782	2,164,528
Net Assets - beginning of year	(815,809)	45,010,435	97,398	(833,714)	579,195	2,324,782	(2,324,782)	44,037,505
Net Assets - end of year	\$ (644,317)	\$ 44,365,009	\$ 97,398	\$ (890,227)	\$ 602,492	\$ 2,671,678	\$ -	\$ 46,202,033

AMERICA'S AUTOMOTIVE TRUST  
CONSOLIDATING STATEMENTS OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020

	<u>AAT</u>	<u>ACM</u>	<u>HELM</u>	<u>DOME</u>	<u>RPM</u>	<u>Eliminations</u>	<u>Total</u>
Revenue and Support							
Revenue							
Admissions	\$ -	\$ 269,957	\$ -	\$ -	\$ -	\$ -	\$ 269,957
Memberships	43,724	-	-	-	-	-	43,724
Guest services	-	73,564	-	-	-	-	73,564
Tours and events	-	98,080	-	-	-	-	98,080
Other earned revenue	42,457	251,785	-	32,425	61,029	(309,753)	77,943
Total Revenue	<u>86,181</u>	<u>693,386</u>	<u>-</u>	<u>32,425</u>	<u>61,029</u>	<u>(309,753)</u>	<u>563,268</u>
Support							
Contributions	1,922,895	2,438,296	-	-	79,774	-	4,440,965
In-kind contributions	86,504	12,212	-	-	31,965	-	130,681
Total Support	<u>2,009,399</u>	<u>2,450,508</u>	<u>-</u>	<u>-</u>	<u>111,739</u>	<u>-</u>	<u>4,571,646</u>
Total Revenue and Support	<u>2,095,580</u>	<u>3,143,894</u>	<u>-</u>	<u>32,425</u>	<u>172,768</u>	<u>(309,753)</u>	<u>5,134,914</u>
Expenses							
Program services	1,017,817	1,866,198	-	371,010	334,496	(309,753)	3,279,768
Management and general	-	828,397	-	-	-	-	828,397
Fundraising	822,891	-	-	-	-	-	822,891
Total Expenses	<u>1,840,708</u>	<u>2,694,595</u>	<u>-</u>	<u>371,010</u>	<u>334,496</u>	<u>(309,753)</u>	<u>4,931,056</u>
Change in Net Assets Before Gains and (Losses)	<u>254,872</u>	<u>449,299</u>	<u>-</u>	<u>(338,585)</u>	<u>(161,728)</u>	<u>-</u>	<u>203,858</u>
Gains and (Losses)							
Initial consolidation of AOW	-	-	-	-	-	-	-
Accession of classic and antique cars to collection	-	(61,500)	-	-	-	-	(61,500)
Change in value of interest rate swap	-	-	-	(146,992)	-	-	(146,992)
Gain (loss) on investments	-	-	-	-	-	-	-
Gain (loss) on valuation of assets	-	-	-	-	-	-	-
Known and estimated loss on uncollectible contributions receivable	-	(38,315)	-	(50,000)	(51,200)	-	(139,515)
Total Gains and (Losses)	<u>-</u>	<u>(99,815)</u>	<u>-</u>	<u>(196,992)</u>	<u>(51,200)</u>	<u>-</u>	<u>(348,007)</u>
Total Change in Net Assets	254,872	349,484	-	(535,577)	(212,928)	-	(144,149)
Net Assets - beginning of year	(1,070,681)	44,660,951	97,398	(298,137)	792,123	-	44,181,654
Net Assets - end of year	<u>\$ (815,809)</u>	<u>\$ 45,010,435</u>	<u>\$ 97,398</u>	<u>\$ (833,714)</u>	<u>\$ 579,195</u>	<u>\$ -</u>	<u>\$ 44,037,505</u>