

Independence Seaport Museum

Financial Statements
Year Ended June 30, 2023



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INDEPENDENCE SEAPORT MUSEUM

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INDEPENDENT AUDITOR'S REPORT

**Board of Port Wardens
Independence Seaport Museum
Philadelphia, Pennsylvania**

Opinion

We have audited the accompanying financial statements of the Independence Seaport Museum (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Independence Seaport Museum as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Independence Seaport Museum and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 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 the Independence Seaport 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 Independence Seaport 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.

Report on Summarized Comparative Information

The financial statements of the Independence Seaport Museum as of and for the year ended June 30, 2022, were audited by other auditors whose report, dated December 8, 2022, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BBO, LLP.

**Philadelphia, Pennsylvania
December 14, 2023**

INDEPENDENCE SEAPORT MUSEUM

STATEMENT OF FINANCIAL POSITION

June 30, 2023 with comparative totals for 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 120,624	\$ 30,711
Accounts receivable		
Contributions	117,556	143,869
Other	32,395	58,614
Prepaid expenses and other assets	94,783	97,503
Investments	17,076,062	18,169,081
Property and equipment, net	3,710,455	3,922,942
Cash surrender value of life insurance policy	<u>132,905</u>	<u>114,102</u>
Total assets	<u>\$ 21,284,780</u>	<u>\$ 22,536,822</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 427,210	\$ 331,854
Deferred revenue	132,682	156,726
Deferred rent obligation	-	115,295
Note payable	<u>350,799</u>	<u>372,422</u>
Total liabilities	<u>910,691</u>	<u>976,297</u>
NET ASSETS		
Without donor restrictions		
Undesignated	3,190,512	3,304,624
Board designated - endowment	<u>17,076,062</u>	<u>18,169,081</u>
	20,266,574	21,473,705
With donor restrictions	<u>107,515</u>	<u>86,820</u>
Total net assets	<u>20,374,089</u>	<u>21,560,525</u>
Total liabilities and net assets	<u>\$ 21,284,780</u>	<u>\$ 22,536,822</u>

See accompanying notes

INDEPENDENCE SEAPORT MUSEUM

STATEMENT OF ACTIVITIES

Year ended June 30, 2023 with comparative totals for 2022

	Without	With	Totals	
	Donor Restrictions	Donor Restrictions	2023	2022
REVENUE, GAINS AND SUPPORT				
Contributions and grants	\$ 519,557	\$ 304,448	\$ 824,005	\$ 727,502
Museum admissions	382,903	-	382,903	361,927
Memberships	34,812	-	34,812	33,779
Boatshop and docks	158,919	-	158,919	181,248
Educational programs	73,784	-	73,784	61,357
Facilities rental	313,428	-	313,428	243,697
Special events, net	33,580	-	33,580	27,283
Retail and auxiliary activities, net	375,929	-	375,929	83,295
Other income	48,790	-	48,790	28,192
Endowment spending policy distribution	2,687,368	-	2,687,368	2,340,346
Net assets released from restrictions	283,753	(283,753)	-	-
Total revenue, gains and support	4,912,823	20,695	4,933,518	4,088,626
EXPENSES				
Program services	4,039,025	-	4,039,025	3,895,091
Supporting services				
Management and general	584,729	-	584,729	386,821
Fundraising	410,403	-	410,403	326,455
Total expenses	5,034,157	-	5,034,157	4,608,367
CHANGE IN NET ASSETS BEFORE OTHER CHANGES				
	(121,334)	20,695	(100,639)	(519,741)
OTHER CHANGES				
Investment income (loss)	1,594,349	-	1,594,349	(2,593,878)
Endowment spending policy distribution	(2,687,368)	-	(2,687,368)	(2,340,346)
Change in cash surrender value of life insurance policy	18,803	-	18,803	(14,953)
Forgiveness of note payable - Paycheck Protection Program	-	-	-	519,200
Interest expense	(11,581)	-	(11,581)	(11,715)
Total other changes	(1,085,797)	-	(1,085,797)	(4,441,692)
CHANGE IN NET ASSETS				
	(1,207,131)	20,695	(1,186,436)	(4,961,433)
NET ASSETS				
Beginning of year	21,473,705	86,820	21,560,525	26,521,958
End of year	\$ 20,266,574	\$ 107,515	\$ 20,374,089	\$ 21,560,525

See accompanying notes

INDEPENDENCE SEAPORT MUSEUM

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2023 with comparative totals for 2022

	Program Services	Supporting Services		Totals	
		Management and General	Fundraising	2023	2022
Salaries and benefits	\$ 1,971,501	\$ 468,627	\$ 346,257	\$ 2,786,385	\$ 2,580,334
Advertising and promotion	109,031	10,160	29,140	148,331	160,552
Depreciation	543,602	5,486	-	549,088	502,490
Equipment lease	14,710	500	-	15,210	8,991
Exhibit maintenance	51,160	-	-	51,160	29,998
Insurance	197,824	10,366	2,158	210,348	184,793
Occupancy	443,040	41,209	-	484,249	481,612
Professional services	441,548	35,311	4,924	481,783	389,132
Program supplies and materials	144,653	-	-	144,653	146,804
Miscellaneous	121,956	13,070	27,924	162,950	123,661
‡ Total expenses included in the expense section on the statement of activities	<u>4,039,025</u>	<u>584,729</u>	<u>410,403</u>	<u>5,034,157</u>	<u>4,608,367</u>
Costs of direct benefits to donors	-	-	-	-	5,101
Cost of goods sold	47,820	-	-	47,820	23,888
Interest expense	-	11,581	-	11,581	11,715
Total expenses	<u>\$ 4,086,845</u>	<u>\$ 596,310</u>	<u>\$ 410,403</u>	<u>\$ 5,093,558</u>	<u>\$ 4,649,071</u>

See accompanying notes

INDEPENDENCE SEAPORT MUSEUM

STATEMENT OF CASH FLOWS

Year ended June 30, 2023 with comparative totals for 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (1,186,436)	\$ (4,961,433)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Realized and unrealized (gain) loss on investments	(1,040,665)	3,313,780
Depreciation	549,088	502,490
Change in cash surrender value of life insurance policy	(18,803)	14,953
Forgiveness of note payable - Paycheck Protection Program	-	(519,200)
(Increase) decrease in		
Accounts receivable	52,532	13,110
Prepaid expenses and other assets	2,720	(66,539)
Increase (decrease) in		
Accounts payable and accrued expenses	16,665	57,429
Deferred revenue	(24,044)	(99,380)
Deferred rent obligation	(115,295)	(77,000)
Net cash used for operating activities	<u>(1,764,238)</u>	<u>(1,821,790)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,772,540)	(4,603,071)
Proceeds from sale of investments	3,906,224	6,223,515
Purchase of property and equipment	<u>(257,910)</u>	<u>(252,811)</u>
Net cash provided by investing activities	<u>1,875,774</u>	<u>1,367,633</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of note payable	<u>(21,623)</u>	<u>(32,706)</u>
Net change in cash	89,913	(486,863)
CASH		
Beginning of year	<u>30,711</u>	<u>517,574</u>
End of year	<u>\$ 120,624</u>	<u>\$ 30,711</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 11,581</u>	<u>\$ 11,715</u>
Purchase of property and equipment included in accounts payable	<u>\$ 78,691</u>	<u>\$ -</u>

See accompanying notes

INDEPENDENCE SEAPORT MUSEUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(1) NATURE OF OPERATIONS

The Core Purpose or Mission of the Independence Seaport Museum (the "**Museum**") is to discover Philadelphia's river of history and world of connections. Serving a wide and diverse audience and holding its collections in trust for the community, the Museum tells the stories of the people, historical events and environmental changes of the Delaware River and its tributaries. It looks to a broad regional definition of the River to include both Philadelphia and Camden as well as portions of the southern coast of New Jersey and the Schuylkill river drainage.

Utilizing its premier collection of historical documents and artifacts, including the two historic ships--the Cruiser Olympia and the submarine Becuna--the museum engages its guests through exceptional exhibitions, publications, original scholarship and an evergrowing area of educational programs. The museum's collections span from the colonial period to the contemporary and are particularly rich in fine arts, industrial history (owning records from six of the seven largest shipyards in the region), and technology.

The Cruiser Olympia and submarine Becuna connect guests to the story of America's naval history insofar as the US Navy was established in 18th century Philadelphia. The Olympia, the last remaining 19th century ironclad in the United States, was used as Admiral Dewey's flagship at the Battle of Manila Bay during the Spanish American War. The Becuna served from World War 2 through much of the Cold War as part of the Navy's undersea presence.

The Museum provides an exceptional program of public engagement that includes extensive programming out on the Delaware River as well as within its museum spaces. Our primary K-16 programmatic function is to use the content found in our collections along with the pedagogical training of our staff to bring to life the myriad stories of the region. The Museum also provides numerous programs for lifelong learners including hands-on programs in our boat shop, formal lectures and book readings, and corporate team building experiences in our water-based programs.

A volunteer board of trustees known as the Board of Port Wardens (the "**Board**") governs the Museum. Along with the Board, more than a hundred volunteers donate their services to further the mission of the Museum in a host of ways. The Museum is accredited by the American Alliance for Museums and has received numerous state and national awards for its programs and exhibitions.

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. As a result, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Museum reports information regarding its financial position and activities according to the following classes of net assets:

Without donor restrictions

Net assets that are not subject to donor-imposed restrictions.

With donor restrictions

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Museum and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

INDEPENDENCE SEAPORT MUSEUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets to be maintained indefinitely while permitting the Museum to expend the income generated in accordance with the provisions of the contribution. The Museum had no net assets to be maintained indefinitely at June 30, 2023.

Summarized Prior Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles ("**GAAP**"). Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from those estimates.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, as determined by quoted market prices, with gains and losses included in the statement of activities. Investment income is recorded as earned.

The Museum invests in a professionally-managed portfolio that contains various types of investments (**See Note 3**). Such investments are exposed to market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that the amounts reported in the financial statements could change materially in the near term.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Museum. Unobservable inputs reflect the Museum's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Museum has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Museum's own assumptions.

INDEPENDENCE SEAPORT MUSEUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Property and Equipment

Property and equipment are carried at cost, if purchased, and at the fair value at the date of donation if donated. Expenditures for improvements that materially increase the estimated useful lives of the assets are capitalized; expenditures for repairs and maintenance are expensed. The Museum capitalizes the costs of constructing exhibits. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets ranging from 3 to 10 years. Building improvements are amortized over the lesser of the lease term or the estimated useful life of the improvement.

Cash Surrender Value of Life Insurance Policy

The Museum has been assigned the rights to a \$2,000,000 variable whole life insurance policy on the life of a former Museum President. If the policy is terminated early, the Museum is entitled to a refund of the lesser of all cumulative premiums paid by the Museum or the cash surrender value of the policy. Therefore, on an annual basis, the Museum adjusts its investment in the policy to the lesser of these two amounts. Upon the death of the former Museum President, the Museum is entitled to the entire death benefit proceeds.

Collections

The Museum's collections consist of historical artifacts, antiques, and other irreplaceable items that are maintained for public exhibition, education, and research in furtherance of public service rather than for financial gain. Collections are the most valuable assets of the Museum and are protected, kept unencumbered, cared for and preserved. The collections, which were acquired primarily through donation, are not recognized or capitalized as assets in the statement of financial position. Collection items purchased during the year are recorded as decreases in net assets without donor restriction in the year in which the items are acquired, or as decreases in net assets with donor restriction if the assets used to purchase the items are restricted by donors.

The Museum records proceeds from deaccessions and insurance recoveries as increases in the statement of activities.

The Museum's policy, as approved by the Board, designates proceeds from the sale of collection items to be used only for acquisition of additional items for collections or for the direct care of collections. The Museum considers direct care to include activities which enhance the life, usefulness or quality of collections.

Contributions and Grants

Contributions and grants are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions and grants whose restrictions are satisfied in the same period are reported as net assets without donor restrictions.

Unconditional contributions and grants are recognized as revenue when the related promise to give is received. Conditional contributions and grants are recognized as revenue when the conditions are satisfied.

Functional Allocation of Expenses

The costs of providing the program and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated. Significant expenses that are allocated include salaries and benefits which are allocated based on estimates of time and effort and depreciation which is allocated based on estimates of square footage.

INDEPENDENCE SEAPORT MUSEUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Income Tax Status

The Museum is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Museum's tax-exempt purpose is subject to taxation as unrelated business income.

GAAP prescribes a minimum recognition threshold that a tax position is required to meet in order to be recognized in the financial statements. The Museum believes that it had no uncertain tax positions as defined in the standard.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs totaled \$148,331 for the year ended June 30, 2023.

Concentration of Credit Risk

Financial instruments which potentially subject the Museum to concentrations of credit risk are cash and accounts receivable. The Museum maintains cash at various high-quality financial institutions. At times, such deposits may exceed federally-insured limits. Accounts receivable are expected to be collected during the year ended June 30, 2024.

Reclassifications

Certain items in the 2022 summarized comparative totals have been reclassified to conform to the 2023 presentation.

(3) INVESTMENTS

Investments consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 78,225	\$ 47,063
Mutual funds		
Equity	7,567,649	8,174,051
Fixed income	4,945,541	5,866,758
Limited partnership	<u>4,484,647</u>	<u>4,081,209</u>
	<u>\$17,076,062</u>	<u>\$18,169,081</u>

The fair value of investments was determined using level 1 valuation inputs, except for the limited partnership which is measured at net asset value.

The limited partnership principally invests in domestic and foreign publicly-traded equities. In accordance with the partnership agreement, the partnership will continue until December 31, 2049, unless dissolved earlier by the general partner. The fair value of the investment in this category has been estimated using the net asset value per share. There are no initial lock-up restrictions and no unfunded commitments at June 30, 2023 on this fund. Redemptions may be made quarterly.

Investment income (loss) was comprised of the following:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 648,109	\$ 837,173
Realized and unrealized gains (losses)	1,040,665	(3,313,780)
Investment management fees	<u>(94,425)</u>	<u>(117,271)</u>
	<u>\$ 1,594,349</u>	<u>\$ (2,593,878)</u>

INDEPENDENCE SEAPORT MUSEUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(4) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Building improvements	\$ 17,267,980	\$ 16,981,362
Computers and equipment	1,176,896	1,155,817
Furniture and fixtures	560,738	560,738
Vehicles	49,560	49,560
Exhibits	<u>7,065,668</u>	<u>7,043,716</u>
	26,120,842	25,791,193
Less accumulated depreciation	<u>(22,410,387)</u>	<u>(21,868,251)</u>
Total	<u>\$ 3,710,455</u>	<u>\$ 3,922,942</u>

(5) NOTE PAYABLE

The Museum has a note payable to the City of Philadelphia, collateralized by a leasehold mortgage on the Museum's interest in the leased premises and related improvements. Monthly installments of \$2,415, consisting of principal and interest at an annual rate of 3%, are required until maturity on July 1, 2038.

The note payable matures as follows:

<u>Year ended June 30,</u>	
2024	\$ 18,712
2025	19,281
2026	19,868
2027	20,472
2028	21,094
Thereafter	<u>251,372</u>
	<u>\$350,799</u>

(6) LINE OF CREDIT

The Museum has a \$500,000 bank credit line which bears interest at the Wall Street Prime Rate less 0.25% and expires in July 2025. Advances under this credit line are secured by one of the Museum's investment accounts. There were no advances outstanding at June 30, 2023.

(7) NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATED

Net assets without donor restrictions are board designated for the following purposes:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Investment Income</u>	<u>Releases/ Expenses</u>	<u>Balance June 30, 2023</u>
General fund	\$15,452,980	\$ -	\$1,271,489	\$(2,551,469)	\$14,173,000
Boatshop fund	<u>2,716,101</u>	<u>-</u>	<u>322,860</u>	<u>(135,899)</u>	<u>2,903,062</u>
	<u>\$18,169,081</u>	<u>\$ -</u>	<u>\$1,594,349</u>	<u>\$(2,687,368)</u>	<u>\$17,076,062</u>

INDEPENDENCE SEAPORT MUSEUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

The general fund has been established by the Museum for the income to support and promote the growth, progress and general welfare of the Museum. The boatshop fund has been established by the Museum for the income to support the boat workshop.

(8) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following for the year ended June 30, 2023:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>June 30, 2023</u>
Net assets spendable for specific purposes or periods				
Education	\$40,150	\$ 92,365	\$(118,456)	\$ 14,059
Exhibits	7,715	10,000	(17,215)	500
Other	<u>38,955</u>	<u>202,083</u>	<u>(148,082)</u>	<u>92,956</u>
	<u>\$86,820</u>	<u>\$304,448</u>	<u>\$(283,753)</u>	<u>\$107,515</u>

(9) ENDOWMENT FUNDS

An accounting standard exists which provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("**UPMIFA**"). The Museum is not subject to this guidance since Pennsylvania has not enacted a version of UPMIFA. The standard also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

In accordance with Pennsylvania statutes, the Museum has adopted investment and spending policies for its 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 these endowment assets over the long-term. The Museum's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

The spending policy calculates the amount of money annually distributed from the endowment fund with donor restriction to support various programs. The current spending policy is to distribute an amount equal to 5.5% of the three-year average fair value of the general fund and 5% of the three-year average fair value of the boatshop fund.

	<u>Without</u> <u>Donor</u> <u>Restrictions</u>
Endowment net assets, July 1, 2022	\$18,169,081
Investment income (loss)	1,594,349
Spending policy distribution	<u>(2,687,368)</u>
Endowment net assets, June 30, 2023	<u>\$17,076,062</u>

(10) RETIREMENT PLAN

The Museum has a defined contribution retirement plan for eligible employees. The Museum matches the employee's contribution up to 4.5% of salary. The Museum's contributions to the plan were \$77,591 for the year ended June 30, 2023.

INDEPENDENCE SEAPORT MUSEUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(11) COMMITMENTS

The Museum leases its Penn's Landing facility under an operating lease agreement with the Delaware River Waterfront Corporation, formerly Penn's Landing Corporation. The lease term expires in December 2026, with rent increases scheduled every five years. As a result of the landlord directed construction activities, management does not anticipate paying rent through the current lease term. Provided there are no events of default, the lease automatically renews every five years after the initial term, but in no event, shall any additional terms extend beyond April 30, 2025. There are renewal options available through April 2025 and the opportunity to renew for another 30 years based upon certain conditions being met.

Rent expense related to this lease was \$27,205 for the year ended June 30, 2023.

(12) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Museum's financial assets as of the statement of financial position date, which has been reduced by financial assets not available within one year.

Cash	\$ 120,624
Accounts receivable	149,951
Investments	<u>17,076,062</u>
Total financial assets	17,346,637
Less: financial assets not available for general operations within one year	
Restricted by donor for specific purposes or periods	(107,515)
Board designated funds	(17,076,062)
Add: Estimated FY 2024 endowment spending policy distribution	<u>1,735,000</u>
Total financial assets available within one year	<u>\$ 1,898,060</u>

Liquidity Management

The Museum monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of available funds. The Museum has various sources of liquidity, including cash, investments and a line of credit.

(13) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 14, 2023, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2023 that require recognition or disclosure in the financial statements.