

INDEPENDENCE SEAPORT MUSEUM
Financial Statements
June 30, 2024 and 2023
With Independent Auditor's Report

Independence Seaport Museum
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June 30, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Port Wardens of
Independence Seaport Museum:

Opinion

We have audited the financial statements of the Independence Seaport Museum (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Independence Seaport Museum as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the 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.

Other Matter

The financial statements of the Independence Seaport Museum as of and for the year ended June 30, 2023, were audited by BBD, LLP, who joined with WithumSmith+Brown, PC on April 1, 2024 and expressed an unmodified opinion on those statements dated December 14, 2023.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Withum Smith & Brown, PC

December 17, 2024

**Independence Seaport Museum
Statements of Financial Position
June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Assets		
Cash	\$ 378,069	\$ 120,624
Contributions and grants receivable	48,633	117,556
Accounts receivable	115,653	32,395
Prepaid expenses and other assets	250,412	94,783
Investments	16,753,344	17,076,062
Property and equipment, net	4,113,846	3,710,455
Cash surrender value of life insurance policy	<u>161,613</u>	<u>132,905</u>
 Total assets	 <u>\$ 21,821,570</u>	 <u>\$ 21,284,780</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 828,129	\$ 427,210
Deferred revenue	105,426	132,682
Line of credit	327,535	-
Note payable	<u>333,675</u>	<u>350,799</u>
Total liabilities	<u>1,594,765</u>	<u>910,691</u>
Net assets		
Without donor restrictions		
Undesignated	3,128,951	3,190,512
Board designated - endowment	<u>16,753,344</u>	<u>17,076,062</u>
	19,882,295	20,266,574
With donor restrictions	<u>344,510</u>	<u>107,515</u>
Total net assets	<u>20,226,805</u>	<u>20,374,089</u>
 Total liabilities and net assets	 <u>\$ 21,821,570</u>	 <u>\$ 21,284,780</u>

The Notes to Financial Statements are an integral part of these statements.

Independence Seaport Museum
Statement of Activities
Year Ended June 30, 2024 with Summarized Comparative Totals for 2023

	Without	With	Total	
	Donor	Donor	2024	2023
	<u>Restrictions</u>	<u>Restrictions</u>		
Revenue, gains and support				
Contributions and grants	\$ 1,136,925	\$ 954,475	\$ 2,091,400	\$ 824,005
Museum admissions	417,811	-	417,811	382,903
Memberships	55,530	-	55,530	34,812
Boatshop and docks	47,668	-	47,668	158,919
Educational programs	42,600	-	42,600	73,784
Facilities rental	389,180	-	389,180	313,428
Special events	78,335	-	78,335	33,580
Retail and auxiliary activities, net	318,066	-	318,066	375,929
Other income	68,499	-	68,499	48,790
Endowment spending policy distribution	2,777,085	-	2,777,085	2,687,368
Net assets released from restrictions	<u>717,480</u>	<u>(717,480)</u>	<u>-</u>	<u>-</u>
Total revenue, gains and support	<u>6,049,179</u>	<u>236,995</u>	<u>6,286,174</u>	<u>4,933,518</u>
Expenses				
Program services	4,435,691	-	4,435,691	4,039,025
Supporting services				
Management and general	678,621	-	678,621	584,729
Fundraising	<u>514,211</u>	<u>-</u>	<u>514,211</u>	<u>410,403</u>
Total expenses	<u>5,628,523</u>	<u>-</u>	<u>5,628,523</u>	<u>5,034,157</u>
Change in net assets before other changes				
	420,656	236,995	657,651	(100,639)
Other changes				
Investment income, net	1,954,265	-	1,954,265	1,594,349
Endowment spending policy distribution	(2,777,085)	-	(2,777,085)	(2,687,368)
Change in cash surrender value of life				
Insurance policy	28,708	-	28,708	18,803
Interest expense	<u>(10,823)</u>	<u>-</u>	<u>(10,823)</u>	<u>(11,581)</u>
Total other changes	<u>(804,935)</u>	<u>-</u>	<u>(804,935)</u>	<u>(1,085,797)</u>
Change in net assets	(384,279)	236,995	(147,284)	(1,186,436)
Net assets				
Beginning of year	<u>20,266,574</u>	<u>107,515</u>	<u>20,374,089</u>	<u>21,560,525</u>
End of year	<u>\$ 19,882,295</u>	<u>\$ 344,510</u>	<u>\$ 20,226,805</u>	<u>\$ 20,374,089</u>

The Notes to Financial Statements are an integral part of these statements.

Independence Seaport Museum
Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and support			
Contributions and grants	\$ 519,557	\$ 304,448	\$ 824,005
Museum admissions	382,903	-	382,903
Memberships	34,812	-	34,812
Boatshop and docks	158,919	-	158,919
Educational programs	73,784	-	73,784
Facilities rental	313,428	-	313,428
Special events	33,580	-	33,580
Retail and auxiliary activities, net	375,929	-	375,929
Other income	48,790	-	48,790
Endowment spending policy distribution	2,687,368	-	2,687,368
Net assets released from restrictions	<u>283,753</u>	<u>(283,753)</u>	<u>-</u>
Total revenue, gains and support	<u>4,912,823</u>	<u>20,695</u>	<u>4,933,518</u>
Expenses			
Program services	4,039,025	-	4,039,025
Supporting services			
Management and general	584,729	-	584,729
Fundraising	<u>410,403</u>	<u>-</u>	<u>410,403</u>
Total expenses	<u>5,034,157</u>	<u>-</u>	<u>5,034,157</u>
Change in net assets before other changes	(121,334)	20,695	(100,639)
Other changes			
Investment income, net	1,594,349	-	1,594,349
Endowment spending policy distribution	(2,687,368)	-	(2,687,368)
Change in cash surrender value of life Insurance policy	18,803	-	18,803
Interest expense	<u>(11,581)</u>	<u>-</u>	<u>(11,581)</u>
Total other changes	<u>(1,085,797)</u>	<u>-</u>	<u>(1,085,797)</u>
Change in net assets	(1,207,131)	20,695	(1,186,436)
Net assets			
Beginning of year	<u>21,473,705</u>	<u>86,820</u>	<u>21,560,525</u>
End of year	<u>\$ 20,266,574</u>	<u>\$ 107,515</u>	<u>\$ 20,374,089</u>

The Notes to Financial Statements are an integral part of this statement.

Independence Seaport Museum
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating activities		
Change in net assets	\$ (147,284)	\$ (1,186,436)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Realized and unrealized gain on investments	(1,485,534)	(1,040,665)
Depreciation	561,712	549,088
Change in cash surrender value of life insurance policy	(28,708)	(18,803)
Change in operating assets and liabilities		
Contributions and grants receivable	68,923	26,313
Accounts receivable	(83,258)	26,219
Prepaid expenses and other assets	(155,629)	2,720
Accounts payable and accrued expenses	479,610	16,665
Deferred revenue	(27,256)	(24,044)
Deferred rent obligation	<u>-</u>	<u>(115,295)</u>
Net cash used in operating activities	<u>(817,424)</u>	<u>(1,764,238)</u>
Investing activities		
Purchase of investments	(1,063,061)	(1,772,540)
Proceeds from sale of investments	2,871,313	3,906,224
Purchase of property and equipment	<u>(1,043,794)</u>	<u>(257,910)</u>
Net cash provided by investing activities	<u>764,458</u>	<u>1,875,774</u>
Financing activities		
Net proceeds from line of credit	327,535	-
Repayment of note payable	<u>(17,124)</u>	<u>(21,623)</u>
Net cash provided by (used in) financing activities	<u>310,411</u>	<u>(21,623)</u>
Net change in cash	257,445	89,913
Cash		
Beginning of year	<u>120,624</u>	<u>30,711</u>
End of year	<u>\$ 378,069</u>	<u>\$ 120,624</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 10,823</u>	<u>\$ 11,581</u>
Purchase of property and equipment included in accounts payable	<u>\$ -</u>	<u>\$ 78,691</u>

The Notes to Financial Statements are an integral part of these statements.

Independence Seaport Museum

Notes to Financial Statements

June 30, 2024 and 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 in accordance with accounting principles generally accepted in the United States of America ("GAAP"). 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. These net assets may be used at the discretion of the Museum's management and Board. Board designated net assets are included as net assets without donor restrictions.

Independence Seaport Museum

Notes to Financial Statements

June 30, 2024 and 2023

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 statements of activities as net assets released from restrictions.

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, 2024 and 2023.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. The Museum includes in its measure of operations all revenues and expenses that are integral to its program services and supporting services. The measure of operations excludes non-operating activities, which are limited to returns from investments, endowment spending policy distribution, change in cash surrender value of life insurance policy, interest expense and other activities considered to be of a non-operating nature.

Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the disclosure of contingent assets and liabilities, as well as the reported amounts of revenues and expenses during the reported period. Actual results could vary from those estimates. Significant estimates include the net realizable value of contributions and accounts receivable, the fair value of investments, the fair value of cash surrender value of life insurance policy, depreciable lives of property and equipment and the allocation of functional expenses.

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 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Museum has the ability to access.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, Inputs other than quoted prices that are observable for the asset or liability and Inputs that are derived principally from observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. The Museum had no assets or liabilities valued using Level 2 inputs as of June 30, 2024 and 2023.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The Museum had no assets or liabilities valued using Level 3 inputs as of June 30, 2024 and 2023.

Independence Seaport Museum

Notes to Financial Statements

June 30, 2024 and 2023

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024 and 2023.

Mutual Funds: Valued at quoted prices for identical assets or liabilities in active markets that the Museum has the ability to access. These are classified as Level 1.

Limited Partnership: Valued at net asset value which is based on its ownership interest in the fund (Note 3). This is excluded from the fair value hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Museum believes its valuation methods are appropriate and consistent, the use of different methodologies and assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Contributions and Grants Receivable

The Museum records unconditional contributions and grants receivable that are expected to be collected within one year at net realizable value. Contributions and grants receivable with expected collection past one year are recorded at net present value using risk-free rates applicable to the years in which the promises are received. The Museum monitors the collectability of these receivables and an allowance for uncollectable promises to give is recorded based on historical experience, an assessment of economic conditions, and a review of subsequent collections. The Museum has determined that no allowance for uncollectible accounts was necessary at June 30, 2024 and 2023. Contributions and grants receivable are due within one year.

Accounts Receivable

Accounts receivable represent unsecured noninterest bearing obligations and are carried at original invoice amounts less an estimate made for credit losses based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for credit losses by identifying troubled accounts and performing a historical and future looking analysis. Receivables are written off when deemed uncollectible. Any uncollectible amounts would not be material to the financial statements. Accounts receivable totaled \$32,395 and \$58,614 as of July 1, 2023 and 2022, respectively.

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 statements of activities. The fair value of the limited partnership has been estimated using the net asset value per share. Investment income is recorded as earned.

The Museum invests in a professionally-managed portfolio that contains various types of investments (Note 3). Such investments are exposed to market and credit risks. 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.

Property and Equipment, Net

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 method over the estimated useful lives of the respective assets as follows:

Independence Seaport Museum
Notes to Financial Statements
June 30, 2024 and 2023

<u>Description</u>	<u>Estimated Life (Years)</u>
Building improvements	10-25
Computers and equipment	5-15
Furniture and fixtures	5-10
Vehicles	25
Exhibits	5-10

Impairment of Long-Lived Assets

The Museum reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is present when the sum of undiscounted estimated future cash flows expected to result from use of the assets is less than carrying value. If impairment is present, the carrying value of the impaired asset is reduced to its fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. During the years ended June 30, 2024 and 2023, there was no impairment losses recognized for long-lived assets.

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 statements 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 statements 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 (including special events) received are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Donor restricted contributions and grants whose restrictions are satisfied in the same period are report as net assets without donor restrictions.

Independence Seaport Museum

Notes to Financial Statements

June 30, 2024 and 2023

Unconditional contributions and grants are recognized when the related promise to give is received. Conditional contributions and grants, that is, those with a measurable performance or other measurable barrier, and a right of return or release, are not recognized in revenue until the conditions on which they depend have been substantially met.

Special event revenue comprises an exchange element, based on the benefits received, and a contribution element for the difference. The contribution portion is recognized as revenue when received if unconditional.

Revenue From Contracts with Customers

The Museum accounts for revenue from contracts with customers as exchange transactions in the statements of activities as revenue without donor restrictions.

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Museum performs the following steps in accordance with Topic 606: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations based on estimated selling prices; and (v) recognition of revenue when (or as) the Museum's satisfies each performance obligation.

Museum admissions are based on published fixed rates and are collected and recognized as revenue at the point in time of purchase.

Facilities rental fees are based on published fixed rates and collected either at the time of the event, in advance of the event resulting in a deferred revenue balance or at the time the event takes place and immediately recognized as revenue. Facilities rental fees are recognized at the point in time the event is held.

Retail and auxiliary activities are based on published fixed rates and are collected and recognized as revenue at the point in time of purchase.

Boatshop and docks revenue and educational programs revenue are based on published fixed rates and collected either at the time of registration, in advance of the program resulting in a deferred revenue balance or at the time the program takes place and immediately recognized as revenue. Boatshop and docks revenue and educational programs revenue are recognized at the point in time the program is held.

Deferred revenue at June 30, 2024 is expected to be recognized as revenue during the year ended June 30, 2025. Deferred revenue at June 30, 2023 was recognized as revenue during the year ended June 30, 2024. Deferred revenue of \$156,726 at June 30, 2022 was recognized as revenue during the year ended June 30, 2023.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been presented on a functional basis in the statements of activities and detailed within the statements of 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, professional services and insurance which are allocated based on estimates of time and effort and depreciation which is allocated based on estimates of square footage.

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June 30, 2024 and 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 requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. 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 \$160,447 and 148,331 for the years ended June 30, 2024 and 2023, respectively.

Concentration of Credit Risk

The Museum has significant cash and money market fund balances at financial institutions which throughout the year regularly exceed the amounts insured by either the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation for up to \$250,000. Any loss incurred or lack of access to such funds could have a significant adverse impact on Museum's financial condition, change in net assets, and cash flows.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Adoption of New Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board issued an Accounting Standards Update ("ASU") amending the accounting for credit losses on financial instruments. This methodology replaced the incurred loss methodology with the expected credit losses using a wide range of reasonable and supportable information. The amendment affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposure, and other financial instruments recorded at amortized cost. The Museum adopted the new standard effective July 1, 2023, using the modified retrospective approach. The implementation of this ASU had no material impact on the financial statements.

3. INVESTMENTS

Investments consisted of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Level 1 valuation inputs		
Money market funds	\$ 99,005	\$ 78,225
Mutual funds		
Equity	7,123,192	7,567,649
Fixed income	4,557,934	4,945,541
Total level 1 valuation inputs	<u>11,780,131</u>	<u>12,591,415</u>
Limited partnership	<u>4,973,213</u>	<u>4,484,647</u>
Total investments	<u>\$ 16,753,344</u>	<u>\$ 17,076,062</u>

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Notes to Financial Statements
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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, 2024 or 2023 on this fund. Redemptions may be made quarterly.

Investment income, net was comprised of the following for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 562,959	\$ 648,109
Realized and unrealized gains	1,485,534	1,040,665
Investment management fees	<u>(94,228)</u>	<u>(94,425)</u>
	<u>\$ 1,954,265</u>	<u>\$ 1,594,349</u>

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Building improvements	\$ 18,075,676	\$ 17,267,980
Computers and equipment	1,172,190	1,176,896
Furniture and fixtures	560,738	560,738
Vehicles	49,560	49,560
Exhibits	<u>7,227,781</u>	<u>7,065,668</u>
	27,085,945	26,120,842
Less: Accumulated depreciation	<u>(22,972,099)</u>	<u>(22,410,387)</u>
	<u>\$ 4,113,846</u>	<u>\$ 3,710,455</u>

5. NOTE PAYABLE

The Museum has a note payable to the City of Philadelphia, collateralized by the Museum's building 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:

2025	\$ 19,281
2026	19,868
2027	20,472
2028	21,094
2029	21,736
Thereafter	<u>231,224</u>
	<u>\$ 333,675</u>

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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. The balance on the line of credit was \$327,535 at June 30, 2024. 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 for the years ended June 30, 2024 and 2023:

	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Investment Income</u>	<u>Releases</u>	<u>Balance June 30, 2024</u>
General fund	\$ 14,173,000	\$ 500,102	\$ 1,543,293	\$ (2,627,456)	\$ 13,588,939
Boatshop fund	<u>2,903,062</u>	<u>-</u>	<u>410,972</u>	<u>(149,629)</u>	<u>3,164,405</u>
	<u>\$ 17,076,062</u>	<u>\$ 500,102</u>	<u>\$ 1,954,265</u>	<u>\$ (2,777,085)</u>	<u>\$ 16,753,344</u>

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Investment Income</u>	<u>Releases</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>

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 years ended June 30, 2024 and 2023:

	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance June 30, 2024</u>
Net assets spendable for specific purposes or periods				
Education	\$ 14,059	\$ 130,000	\$ (55,479)	\$ 88,580
Exhibits	500	27,000	(12,547)	14,953
Other	<u>92,956</u>	<u>797,475</u>	<u>(649,454)</u>	<u>240,977</u>
	<u>\$ 107,515</u>	<u>\$ 954,475</u>	<u>\$ (717,480)</u>	<u>\$ 344,510</u>

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	<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 an established board-designated endowment fund and 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 current spending policy is established annually by the Board which calculates the amount of money annually distributed from the endowment funds without donor restriction to support various programs. Endowment assets are held as investments in the statement of financial position.

Changes in the endowment net assets for the years ended June 30, 2024 and 2023 are as follows:

	<u>Without</u> <u>Donor</u> <u>Restrictions</u>
Endowment net assets, July 1, 2022	\$ 18,169,081
Investment income	1,594,349
Spending policy distribution	<u>(2,687,368)</u>
Endowment net assets, June 30, 2023	<u>\$ 17,076,062</u>
Endowment net assets, July 1, 2023	\$ 17,076,062
Additions	500,102
Investment income	1,954,265
Spending policy distribution	<u>(2,777,085)</u>
Endowment net assets, June 30, 2024	<u>\$ 16,753,344</u>

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10. RETIREMENT PLAN

The Museum has a defined contribution retirement plan for eligible employees. The Museum matches the employee's contribution up to 5.5% of salary. The Museum's contributions to the plan were \$113,306 and \$77,591 for the years ended June 30, 2024 and 2023, respectively.

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 landlord directed construction activities which commenced in 2023, the Museum has entered into an agreement which provides for a rent relief period where the Museum is fully relieved of its obligation to rent until the construction activities conclude which management estimates will continue through the current lease term of December 2026. Provided there are no events of default, the lease allows for renewals every five years after the initial term, but in no event, shall any additional terms extend beyond April 30, 2075. The Museum is not reasonably certain that it will exercise an extension.

No rent expenses was incurred related to this lease for the year ended June 30, 2024. 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 statements of financial position date, which are available for general expenditures within one year of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash	\$ 378,069	\$ 120,624
Contributions and grants receivable	48,633	117,556
Accounts receivable	115,653	32,395
Investments	<u>16,753,344</u>	<u>17,076,062</u>
Total financial assets	17,295,699	17,346,637
Less: Financial assets not available for general operations within one year		
Restricted by donor for specific purposes or periods	(344,510)	(107,515)
Board designated funds	(16,753,344)	(17,076,062)
Add: Estimated subsequent year endowment spending policy distribution available for general operations	<u>2,000,000</u>	<u>1,735,000</u>
Total financial assets available within one year to meet general expenditures	<u>\$ 2,197,845</u>	<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 (see Note 6). Board designated funds can be made available for use at the discretion of the Board as needed.

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13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 17, 2024, the date on which the financial statements were available to be issued. No subsequent events have occurred that require recognition or disclosure in the financial statements.