MARTHA'S VINEYARD MUSEUM, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

AND

INDEPENDENT AUDITOR'S REPORT

MARTHA'S VINEYARD MUSEUM, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 18

BOLLUS LYNCH

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Martha's Vineyard Museum, Inc.

Opinion

We have audited the financial statements of Martha's Vineyard Museum, Inc. (the Museum), which comprise the statement of financial position as of December 31, 2023, 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 present fairly, in all material respects, the financial position of the Museum as of December 31, 2023, 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 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 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 Museum's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Report on Summarized Comparative Information

We have previously audited the Museum's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 19, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ballus Lynch, LLP

Worcester, Massachusetts
May 17, 2024

MARTHA'S VINEYARD MUSEUM, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023
(With Summarized Comparative Information for 2022)

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	$ 1,595,085	$ 1,701,434
Contributions receivable	1,699,658	62,000
Inventories	50,181	46,559
Prepaid expenses and other assets	9,708	10,839
Total current assets	3,354,632	1,820,832
Contributions receivable, net of current portion	2,020,430	116,033
Endowment investments	2,757,662	2,451,367
Property and equipment, net	20,597,438	21,805,551
	$ 28,730,162	$ 26,193,783
Liabilities and Net Assets		
Current liabilities		
Current maturities of long-term debt	$ 4,143	$ -
Accounts payable and accrued liabilities	111,745	381,643
Customer deposits and deferred revenue	114,433	76,200
Total current liabilities	230,321	457,843
Note payable, bank	3,200,000	3,600,000
Long-term debt	2,078,357	2,027,500
Total liabilities	5,508,678	6,085,343
Net assets		
Without donor restrictions		
Operating	1,575,965	1,561,330
Plant	14,993,623	15,852,593
With donor restrictions	6,651,896	2,694,517
Total net assets	23,221,484	20,108,440
	$ 28,730,162	$ 26,193,783

See accompanying independent auditor's report and notes to financial statements.

MARTHA'S VINEYARD MUSEUM, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023
(With Summarized Comparative Information for 2022)

	Without Donor Restrictions	With Donor Restrictions	Totals 2023	Totals 2022
Operating activities:				
Revenue, gains, and other support				
Admissions and program fees	$ 236,103	$ -	$ 236,103	$ 201,988
Memberships	244,680	-	244,680	229,838
Contributions and sponsorships	898,661	42,725	941,386	1,715,795
Grant income	122,660	-	122,660	463,811
Sales	69,414	-	69,414	46,862
Special fund raising events, net of direct benefit to donors of $196,469 in 2023 and $101,268 in 2022	285,616	-	285,616	244,971
Lighthouse admissions and fees	44,697	-	44,697	38,762
Rental, interest and other income	215,359	-	215,359	206,030
Net assets released from restriction				
Satisfaction of purpose restrictions	59,035	(59,035)	-	-
Endowment investment return appropriated for operations	105,200	-	105,200	123,807
Appropriation from Centennial Campaign	604,248	-	604,248	-
Total	2,885,673	(16,310)	2,869,363	3,271,864
Operating expenses				
Program services	2,219,686	-	2,219,686	1,832,905
Supporting services				
General and administrative	453,622	-	453,622	627,009
Membership and fundraising	196,055	-	196,055	278,475
Total	2,869,363	-	2,869,363	2,738,389
Change in net assets before depreciation expense	16,310	(16,310)	-	533,475
Depreciation expense	1,007,655	-	1,007,655	1,033,359
Change in net assets from operating activities	(991,345)	(16,310)	(1,007,655)	(499,884)
Non-operating activities				
Centennial Campaign activities				
Contributions and grants	-	4,551,740	4,551,740	11,841
Endowment contributions	-	200,000	200,000	35,000
Centennial Campaign expenses	(278,098)	-	(278,098)	-
Net assets released from capital restrictions				
Centennial Campaign expenses	278,098	(278,098)	-	-
Appropriation from Centennial Campaign	-	(604,248)	(604,248)	-
Other non-operating activities				
Contributions for property related activities	-	-	-	50,240
Loss on uncollectible pledges	-	-	-	(3,500)
Endowment investment return	-	371,495	371,495	(461,982)
Net assets released from restrictions				
Capital pledges collected	162,000	(162,000)	-	-
Endowment investment return appropriated for operations	-	(105,200)	(105,200)	(123,807)
Change in net assets from non-operating activities	162,000	3,973,689	4,135,689	(492,208)
Change in net assets before changes related to collection items	(829,345)	3,957,379	3,128,034	(992,092)
Purchase of collection items	(14,990)	-	(14,990)	(13,573)
Change in net assets	(844,335)	3,957,379	3,113,044	(1,005,665)
Net assets, beginning of year	17,413,923	2,694,517	20,108,440	21,114,105
Net assets, end of year	$ 16,569,588	$ 6,651,896	$ 23,221,484	$ 20,108,440

See accompanying independent auditor's report and notes to financial statements.

MARTHA'S VINEYARD MUSEUM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023
(With Summarized Comparative Information for 2022)

	Program	General and Administrative	Membership and Fundraising	Totals 2023	Totals 2022
Salaries and wages	$ 881,568	$ 235,088	$ 89,085	$ 1,205,741	$ 1,091,883
Employee benefits	66,421	49,577	1,108	117,106	118,231
Payroll taxes	72,562	20,518	8,519	101,599	89,814
Total personnel expenses	1,020,551	305,183	98,712	1,424,446	1,299,928
Accounting and legal	-	20,693	-	20,693	16,275
Advertising	35,602	7,255	-	42,857	33,448
Collection and exhibits	261,313	-	-	261,313	230,407
Contract services and professional fees	125,082	21,875	42,986	189,943	377,155
Cost of sales	44,062	-	-	44,062	28,637
Insurance	91,974	13,340	2,044	107,358	74,446
Lighthouses	28,727	-	-	28,727	16,786
Occupancy					
Utilities	111,829	9,940	2,485	124,254	102,096
Landscaping	78,334	6,963	1,741	87,038	81,810
Repairs and maintenance	101,482	9,021	2,255	112,758	117,270
Interest	191,505	17,023	4,256	212,784	234,280
Programs and events	93,549	488	1,990	96,027	28,554
Technology	35,676	3,171	793	39,640	27,636
Other	-	38,670	38,793	77,463	69,661
Total operating expenses before depreciation expense	2,219,686	453,622	196,055	2,869,363	2,738,389
Depreciation expense	906,890	80,612	20,153	1,007,655	1,033,359
Total operating expenses	3,126,576	534,234	216,208	3,877,018	3,771,748
Special fundraising event expenses	-	-	196,469	196,469	101,268
Centennial Campaign expenses					
Contracted services	-	-	245,170	245,170	-
Other expenses	-	-	32,928	32,928	-
Total Centennial Campaign expenses	-	-	278,098	278,098	-
Total functional expenses	$ 3,126,576	$ 534,234	$ 690,775	$ 4,351,585	$ 3,873,016

See accompanying independent auditor's report and notes to financial statements.

MARTHA'S VINEYARD MUSEUM, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023
(With Summarized Comparative Information for 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 3,113,044	$ (1,005,665)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Adjustments related to operating activities:		
Depreciation expense	1,007,655	1,033,359
Net investment losses (gains)	(264,273)	525,658
Contributions restricted for endowment	(200,000)	(35,000)
Loss on uncollectible pledges	-	3,500
Deferred interest long-term debt	55,000	27,500
Changes in operating assets and liabilities:		
Contributions receivable	5,000	(4,000)
Inventories	(3,622)	(2,128)
Prepaid expenses and other assets	1,131	17,053
Accounts payable and accrued liabilities	55,560	(24,892)
Customer deposits and deferred revenue	38,233	(1,205)
Adjustments related to capital campaign activities:		
Contributions restricted for capital activities	(4,551,740)	-
Centennial Campaign expenses	278,098	7,993
Total adjustments	(3,578,958)	1,547,838
Net cash provided by (used in) operating activities	(465,914)	542,173
Cash flows from investing activities:		
Expenditures for property and equipment	(125,000)	-
Purchases of endowment investments	(147,222)	(98,676)
Proceeds from sales of endowment investments	105,200	123,807
Centennial Campaign expenses	(278,098)	(7,993)
Net cash provided by (used in) investing activities	(445,120)	17,138
Cash flows from financing activities:		
Payments of note payable, bank	(400,000)	(2,400,000)
Proceeds from long-term debt	-	2,000,000
Contributions collected for endowment	40,000	35,000
Contributions collected for capital activities	1,164,685	251,034
Net cash provided by (used in) financing activities	804,685	(113,966)
Net increase (decrease) in cash and cash equivalents	(106,349)	445,345
Cash and cash equivalents, beginning of year	1,701,434	1,256,089
Cash and cash equivalents, end of year	$ 1,595,085	$ 1,701,434
Supplemental disclosures of cash flows information is as follows		
Cash paid during the year for :		
Interest	$ 157,783	$ 206,780

See accompanying independent auditor's report and notes to financial statements.

1 - DESCRIPTION OF ORGANIZATION

The Martha's Vineyard Museum was founded in 1922 and incorporated as the Dukes County Historical Society, Inc. on July 12, 1923. On August 19, 1996, the corporate name was changed to Martha's Vineyard Historical Society, Inc. (the "Society"). During 2006, the Board of Directors authorized the use of the name "Martha's Vineyard Museum" while retaining its corporate name. During 2010, the Board of Directors changed the corporate name to Martha's Vineyard Museum, Inc. (the "Museum"). The mission of the Martha's Vineyard Museum is to inspire all people to discover, explore, and strengthen their connections to this island and its diverse heritage.

The Museum owns its Vineyard Haven campus comprised of an historic marine hospital and three adjacent properties. It also owns and operates programs at the Cooke House & Legacy Gardens in Edgartown. Additionally, the Museum oversees visitor services at the Edgartown Lighthouse owned by the Town of Edgartown and East Chop Lighthouse owned by the US Coast Guard. The Museum offers programs and exhibitions on-site and on-line using its vast collection of art, artifacts, objects, literary works and documents. Combined with its ongoing collections program, the Museum presents a broad grasp of history's enduring importance and its central role in explaining our present day.

Federal COVID Relief - In 2022, the Museum received just over $400,000 in Employee Retention Credits which was received as grant revenue for the year. In addition, an SBA Economic Injury Disaster loan in the amount of $2,000,000, used to pay down existing bank debt, was secured. See note 8 for further details.

Cooke House Property in Edgartown - With the Museum relocation to its new campus in 2019, the Cooke House remains a Museum property in Edgartown on a 17,000+ square foot site, which has been developed as an historic home and garden to be known as the Cooke House and Legacy Gardens.

Description of activities

The following activities and supporting services are included in the accompanying financial statements:

Exhibitions - There are seven long-term exhibitions installed in two buildings on the Vineyard Haven campus and the Museum mounts eight to ten temporary exhibitions annually. Additionally, the Museum exhibits and maintains sculpture and gardens on the Vineyard Haven campus and in Edgartown at the Cooke House.

Programing and Education - The Museum offers year-round programming in-person and virtually for people of all ages. Talks, panel discussions, demonstrations, musical performances, poetry readings, family programs, films, and kid's activities are just a sampling of what the public can enjoy. The Museum's education program is focused on partnerships with all Island schools and offers field trips and classroom visits to students from pre-K through high school. Inspiration for all curriculum units are aligned to Massachusetts common core standards and draw from the Museum's collection of artifacts, photographs, primary source documents, maps, journals and oral histories.

Publications - The Museum produces a scholarly journal, the MVM Quarterly throughout the year. The goal of all Museum publications is to foster knowledge and stimulate interest in Vineyard History. In addition, the Museum periodically publishes catalogs in conjunction with major exhibitions.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Museum prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Museum are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of accounting

The financial statements of the Museum have been prepared on the accrual method of accounting. Accordingly, assets are recorded when the Museum obtains the rights of ownership or is entitled to claims for receipt, and liabilities are recorded when the obligation is incurred.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Museum's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Museum's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Museum, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. In addition, the governing board of the Museum may elect to designate such resources for specific purposes. This designation may be removed at the board's discretion.

Net assets with donor restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Museum must continue to use the resources in accordance with the donor's instructions.

The Museum's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Museum, unless the donor provides more specific directions about the period of its use.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summarized comparative 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Classification of transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

Cash and cash equivalents

The Museum maintains accounts at various financial institutions which, at times, may exceed federally insured limits. The Museum has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectibility of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Inventories

Inventories, which consist of gift shop and café items, are stated at the lower of cost or net realizable value on a first-in, first-out (FIFO) method.

Investments

Investments are reported at their fair value. The net investment return is reported in the statement of activities as unrestricted increases or decreases unless its use is restricted by explicit donor stipulations or by law.

Endowment funds

The purpose of the Endowment is to provide a steady but growing stream of income to the Museum over future years. The Endowment will provide the means for the Museum to accept lasting gifts from individuals and other entities that will both honor and perpetuate the Mission of the Museum and the Museum's programs in carrying out that mission. The Museum's endowment consists of individual donor restricted funds established for a variety of purposes. Its endowment includes only donor restricted endowment funds As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed or legal restrictions.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment funds (continued)

As required by generally accepted accounting principles, the Museum classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as non-expendable net assets is classified as expendable net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by state law.

In accordance with the Uniform Prudent Management of Institutional Funds Act, the Museum may consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the Museum and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the Museum; and the investment policies of the Museum.

The Museum has adopted investment and spending policies for its board-designated and other endowment assets that attempt to provide a predictable stream of funding for its programs while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment assets are invested in a portfolio of mutual funds with the objective of achieving long-term capital appreciation while moderating the level of investment risk. Actual returns in any given year may vary from this amount.

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, dividends and net rental income). The Museum has invested in mutual funds that target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Museum has a policy that the Board, after consultation with the finance committee, may appropriate for distribution each year not more than 5% of the applicable market value of the endowment.

Property and equipment

Property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of $2,500 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets.

Impairment of long-lived assets and long-lived assets to be disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Collection

As allowed by accounting principles generally accepted in the United States of America and following the practices of many museums, the Museum has not capitalized its collection of items of historical nature and other related objects purchased or donated. The collection is held for public exhibition, education, or research in furtherance of public service rather than financial gain. The Museum continually reviews its collection and may de-access or acquire additional items. Expenditures for additional collection items are presented as a reduction in the appropriate class of net assets. Proceeds from de-accessions are reflected as increases in net assets without donor restrictions. The Museum has established a policy that requires the proceeds from items de-accessed to be used to acquire other items for the collection.

Measure of operations

In its statement of activities, the Museum includes in its definition of *operations* all revenues and expenses that are an integral part of its programs and supporting activities. The Museum considers the comprehensive Centennial campaign, investment return in excess of the amount appropriated for operations, other contributions and bequests for endowment and capital activities, and all collection related activity be classified as non-operating activities.

Contributions of financial assets

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

The Museum is a beneficiary under several donors' wills. Contributions from bequests are recognized as contributions receivable when the probate court declares that the will is valid and the Museum has an irrevocable right to the bequest.

Contributions of non-financial assets

The Museum receives contributions in a form other than cash or investments. If material, donated supplies and other items are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. If the Museum receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Museum's capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use.

The Museum benefits from personal services provided by a number of volunteers. Those volunteers have donated significant amounts of time and services in the Museum's program operations and in its fund-raising events. U.S. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. There were no donated services that met the criteria to be included in in-kind contributions in the statement of activities.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense recognition and allocation

The cost of providing the Museum's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Occupancy, depreciation and interest are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.

Management periodically evaluates the basis on which costs are allocated.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Museum.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Museum generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred. Advertising expense was $42,857 and $33,448 in 2023 and 2022, respectively.

Tax-exempt status

The Museum is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the Museum are tax deductible to donors under Section 170 of the IRC. The Museum is not classified as a private foundation.

3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2023 and 2022 are:

	2023	2022
Financial assets:		
Cash	$ 1,595,085	$ 1,701,434
Contributions receivable, net	3,720,088	178,033
Endowment investments	2,757,662	2,451,367
Total financial assets	8,072,835	4,330,834
Less: Financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets	46,307	62,617
Centennial Campaign restricted net assets	4,730,272	180,533
Donor-restricted endowment funds	2,757,662	2,451,367
Amount available for general expenditures within one year	$ 538,594	$ 1,636,317

3 - LIQUIDITY AND AVAILABILITY (Continued)

The above table reflects donor-restricted endowment funds as unavailable because it is the Museum's intention to invest those resources for the long-term support of the Museum. However, in the case of need, the Board of Directors could appropriate resources from the donor-restricted funds available for general use ($2,757,662, of which $2,262,432 is the original gifts). Note 2 provides more information about those funds and about the spending policies for all endowment funds.

4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of:

	2023	2022
With donor restrictions		
Operating	$ -	$ 5,000
Centennial Campaign	3,914,318	-
Capital Campaign	32,500	187,000
	3,946,818	192,000
Less: Unamortized discount	226,730	13,967
	$ 3,720,088	$ 178,033

As of December 31, 2023, the Museum had additional outstanding intentions to give of $60,000 through letters of intent or pledges with certain specified conditions, which are not included above.

As of December 31, 2023, pledges are expected to be received according to the following schedule:

	Operating	Centennial Campaign
Within one year	$ -	$ 1,699,658
One to five years	-	2,247,160
	$ -	$ 3,946,818

5 - ENDOWMENT INVESTMENTS

Endowment investments are presented in the financial statements at fair value and are comprised of the following:

	2023	2022
Mutual funds	$ 2,757,662	$ 2,451,367

Investments are included in the following net asset categories in the statement of financial position:

	2023	2022
Donor restricted endowment funds		
Unappropriated return	$ 495,229	$ 228,934
Original gifts	2,262,433	2,222,433
Total	$ 2,757,662	$ 2,451,367

5 - ENDOWMENT INVESTMENTS (Continued)

The following summarizes the net investment return included in the statement of activities:

	2023	2022
Interest and dividends	$ 107,222	$ 63,676
Investment gains (losses)	264,273	(525,658)
	$ 371,495	$ (461,982)

Changes in endowment investments are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment investments, December 31, 2021	$ -	$ 3,002,156	$ 3,002,156
Investment return:			
Interest and dividends	-	63,676	63,676
Investment losses	-	(525,658)	(525,658)
Total investment return	-	(461,982)	(461,982)
Additions	-	35,000	35,000
Appropriation for operations	-	(123,807)	(123,807)
Endowment investments, December 31, 2022	-	2,451,367	2,451,367
Investment return:			
Interest and dividends	-	107,222	107,222
Investment gains	-	264,273	264,273
Total investment return	-	371,495	371,495
Additions	-	40,000	40,000
Appropriation for operations	-	(105,200)	(105,200)
Endowment investments, December 31, 2023	$ -	$ 2,757,662	$ 2,757,662

6 - PROPERTY AND EQUIPMENT

Property and equipment, together with estimated useful lives, consist of the following:

	Estimated Useful Lives	2023	2022
Land	-	$ 2,154,333	$ 2,154,333
Historic buildings	-	177,768	177,768
Buildings and improvements	7 - 31 years	21,549,623	21,756,081
Equipment and furniture	3 - 10 years	2,018,305	2,018,305
		25,900,029	26,106,487
Less: Accumulated depreciation		5,302,591	4,294,936
		$ 20,597,438	$ 21,811,551

Depreciation for property and equipment was $1,007,655 and $1,033,359 in 2023 and 2022, respectively.

7 - NOTE PAYABLE, BANK

In 2017 the Museum entered into a loan arrangement with a bank to provide bridge funding for construction costs. The loan is secured by a mortgage on real property owned by the Museum. In 2022, the loan agreement was modified making the outstanding balance of $4,000,000 payable in full in July 2032. Interest is payable monthly at a fixed rate of 4.34% through 2027 at which time the rate changes to the Boston FHLB 5-year rate plus 2.25%. During 2023 and 2022 the Museum repaid $400,000 and $2,400,000, respectively, resulting in an outstanding balance of $3,200,000 and $3,600,000 as of December 31, 2023 and 2022, respectively.

8 - LONG-TERM DEBT

Long-term debt consists of the following:

	2023	2022
Note payable, other, EIDL loan secured by all assets of the Museum, due in monthly installments of $8,975 beginning in July 2022, including interest at 2.75%, through May 2052. The Museum exercised the option to defer payments for 30 months and payments will begin December 2024.	$ 2,082,500	$ 2,027,500
Less: Current maturities	4,143	-
	$ 2,078,357	$ 2,027,500

Maturities of long-term debt in subsequent years are as follows:

2024	$ 4,143
2025	49,647
2026	51,029
2027	52,450
2028	53,760
Thereafter	1,871,471
	$ 2,082,500

9 - NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2023 and 2022, net assets with donor restrictions are available for the following purposes or periods:

	2023	2022
Purpose restrictions, available for spending:		
Other capital items including Centennial Campaign	$ 127,839	$ 2,500
Other including educational programs	46,307	62,617
Total purpose restricted net assets	174,146	65,117
Time restrictions:		
Contributions receivable, which are unavailable for spending until due, some of which are also subject to purpose and endowment restrictions	3,720,088	178,033
Endowment funds, which must be appropriated by the Board of Directors before use:		
Original gifts	2,262,433	2,222,433
Unappropriated return	495,229	228,934
Total endowment funds managed by the Museum	2,757,662	2,451,367
Total net assets with donor restrictions	$ 6,651,896	$ 2,694,517

During 2023, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

Appropriation of endowment investment return	$ 105,200
Appropriation of Centennial Campaign for operations	604,248
Vision fellowship	5,988
Collection of operating pledge	5,000
Other projects	45,000
Other programs	3,047
	768,483
Nonoperating activities	
Capital campaign pledges collected	162,000
Centennial campaign expenses	278,098
	$ 1,208,581

10 - STATEMENT OF CASH FLOWS

As of December 31, 2022, accounts payable and accrued liabilities included $325,458 related to retainage for the construction project. This liability was settled during 2023 for $125,000 which is reflected as a use of cash for the purchase of property and equipment.

11 - FAIR VALUE MEASUREMENTS

The Museum reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

When available, the Museum measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the Museum is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the Museum's financial statements are:

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- recurring measurement of endowment investments.

Determination of fair value

Following is a description of the valuation methodologies used for items measured at fair value. There have been no changes in the methodologies used during the year ended December 31, 2023.

Mutual funds: Determined by the published NAV per unit at the end of the last trading day of the year, which is the basis of transactions at that date.

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

The Museum's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at December 31, 2023 as follows:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 2,757,662	$ -	$ -	$ 2,757,662

11 - FAIR VALUE MEASUREMENTS (Continued)

Determination of fair value (continued)

There were no significant transfers between the levels during the year. The Museum's policy is to recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the availability of fair value inputs are not recognized.

The Museum does not measure any liabilities at fair value on a recurring or non-recurring basis on the statement of financial position.

12 - CONCENTRATIONS OF RISK

The Museum's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Market risks include global events which could impact the value of investment securities such as a pandemic or international conflict. Further, because of the significance of the investments to the Museum's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements.

13 - COMMITMENTS

In December 2023, the Museum settled its remaining commitment for the renovation of the Marine Hospital building for a payment of $125,000.

14 - RELATED-PARTY TRANSACTIONS

Contributions include $1,397,766 and $499,697 of amounts received from Board members in 2023 and 2022, respectively. Contributions receivable from Board members were $700,316 and $5,000 in 2023 and 2022, respectively.

15 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 17, 2024, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.