

Intrepid Museum Foundation

Financial Statements

December 31, 2023

Independent Auditors' Report

To the Board of Trustees of Intrepid Museum Foundation

Opinion

We have audited the accompanying financial statements of Intrepid Museum Foundation (the "Museum"), which comprise the statement of financial position as of December 31, 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 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. Our responsibilities under those standards are further described in the Auditors' 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 available to be issued.

Auditors' 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 auditors' 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 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.

**To the Board of Trustees of
Intrepid Museum Foundation**
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Report on Summarized Comparative Information

We have previously audited the Museum's December 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 11, 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.

PKF O'Connor Davies, LLP

May 2, 2024

Intrepid Museum Foundation

Statement of Financial Position

December 31, 2023

(with comparative amounts at December 31, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 7,555,595	\$ 11,535,332
Pledges receivable, net	4,609,139	4,683,159
Grants receivable	701,923	3,682,280
Other receivables	2,317,378	1,538,507
Prepaid expenses and other assets	545,991	445,211
Investments	10,062,302	8,845,087
Fixed assets, net	41,690,635	39,666,909
Restricted investments	<u>21,937,120</u>	<u>21,880,253</u>
	<u>\$ 89,420,083</u>	<u>\$ 92,276,738</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 5,024,470	\$ 3,618,475
Deferred revenue	2,124,352	2,057,125
Advances payable	752,962	974,167
Finance obligation	809,018	1,016,181
Loans payable	5,093,750	5,327,500
Notes payable	<u>10,200,000</u>	<u>13,000,000</u>
Total Liabilities	<u>24,004,552</u>	<u>25,993,448</u>
Net Assets		
Without donor restrictions	29,736,504	31,142,079
With Donor Restrictions		
Time restricted for future periods	12,458,214	11,060,649
Purpose restrictions	779,825	1,646,441
Endowment funds	<u>22,440,988</u>	<u>22,434,121</u>
Total Net Assets	<u>65,415,531</u>	<u>66,283,290</u>
	<u>\$ 89,420,083</u>	<u>\$ 92,276,738</u>

See notes to financial statements

Intrepid Museum Foundation

Statement of Activities For the Year Ended December 31, 2023 (with summarized totals for the year ended December 31, 2022)

	Without Donor Restrictions	With Donor Restrictions		2023 Total	2022 Total
		Program Restrictions	Endowment Funds		
OPERATING SUPPORT AND REVENUE					
Admissions and membership	\$ 18,564,727	\$ -	\$ -	\$ 18,564,727	\$ 14,102,441
Contributions	942,418	356,334	-	1,298,752	1,424,056
Contributed nonfinancial assets	581,448	-	-	581,448	346,052
Sponsorship income	312,292	-	-	312,292	283,125
Special event revenue (net of costs with direct benefit to donors of \$112,250 and \$111,250)	1,034,129	-	-	1,034,129	1,349,125
Grant income	1,394,530	800,408	-	2,194,938	5,903,966
Rental income, net of discounts	2,700,364	-	-	2,700,364	2,895,942
Auxiliary activities	3,985,586	-	-	3,985,586	3,275,240
Investment return designated for operations	-	1,980,790	-	1,980,790	1,964,787
Spend rate allocation	1,980,790	(1,980,790)	-	-	-
Net assets released from restrictions	2,206,339	(2,206,339)	-	-	-
Total Operating Support and Revenue	<u>33,702,623</u>	<u>(1,049,597)</u>	<u>-</u>	<u>32,653,026</u>	<u>31,544,734</u>
OPERATING EXPENSES					
Program Expenses					
Education	4,880,164	-	-	4,880,164	4,261,226
Exhibits and museum services	20,999,663	-	-	20,999,663	18,466,208
Intrepid Fallen Heroes and Relief Funds	17,975	-	-	17,975	118,729
Other program costs	1,702,436	-	-	1,702,436	1,430,897
Total Program Expenses	<u>27,600,238</u>	<u>-</u>	<u>-</u>	<u>27,600,238</u>	<u>24,277,060</u>
Supporting Expenses					
Management and general	2,951,164	-	-	2,951,164	2,629,224
Fundraising	1,513,780	-	-	1,513,780	1,526,153
Total Supporting Services	<u>4,464,944</u>	<u>-</u>	<u>-</u>	<u>4,464,944</u>	<u>4,155,377</u>
Total Operating Expenses	<u>32,065,182</u>	<u>-</u>	<u>-</u>	<u>32,065,182</u>	<u>28,432,437</u>
Excess of Operating Support and Revenue Over Operating Expenses	<u>1,637,441</u>	<u>(1,049,597)</u>	<u>-</u>	<u>587,844</u>	<u>3,112,297</u>
NONOPERATING ACTIVITIES					
Depreciation and amortization	(3,322,636)	-	-	(3,322,636)	(3,402,654)
Contributions and capital grants	-	-	6,867	6,867	616,675
Gain on extinguishment of debt	-	-	-	-	2,015,389
Insurance proceeds from casualty loss	-	-	-	-	12,741
Surplus (loss) of investment return in excess of spend rate	279,620	1,580,546	-	1,860,166	(8,950,676)
Total Nonoperating Activities	<u>(3,043,016)</u>	<u>1,580,546</u>	<u>6,867</u>	<u>(1,455,603)</u>	<u>(9,708,525)</u>
Change in Net Assets	<u>(1,405,575)</u>	<u>530,949</u>	<u>6,867</u>	<u>(867,759)</u>	<u>(6,596,228)</u>
NET ASSETS					
Beginning of year	<u>31,142,079</u>	<u>12,707,090</u>	<u>22,434,121</u>	<u>66,283,290</u>	<u>72,879,518</u>
End of year	<u>\$ 29,736,504</u>	<u>\$ 13,238,039</u>	<u>\$ 22,440,988</u>	<u>\$ 65,415,531</u>	<u>\$ 66,283,290</u>

See notes to financial statements

Intrepid Museum Foundation

Statement of Functional Expenses For the Year Ended December 31, 2023

(with summarized totals for the year ended December 31, 2022)

	Program Services					Management and General	Fundraising	2023 Total	2022 Total
	Education	Exhibits and Museum Services	Intrepid Fallen Heroes and Relief Funds	Other Program Costs	Total Program Services				
Salaries, wages and other employment costs	\$ 3,451,425	\$ 14,434,814	\$ 2,432	\$ 1,277,739	\$ 19,166,410	\$ 1,927,298	\$ 1,056,817	\$ 22,150,525	\$ 20,338,151
Rent	28,063	127,510	836	-	156,409	32,756	836	190,001	190,001
Repairs and maintenance	20,867	639,597	11	6,477	666,952	23,713	1,965	692,630	609,248
Utilities and telephone	29,127	924,978	-	8,904	963,009	35,053	13,582	1,011,644	1,050,959
Property and casualty insurance	155,443	706,281	4,631	-	866,355	181,438	4,631	1,052,424	855,746
Contract services and equipment rentals	14,647	357,090	-	2,018	373,755	22,838	6,984	403,577	387,559
Office expense and supplies	79,163	338,340	-	14,229	431,732	147,543	39,965	619,240	584,009
Event and program expenses	393,571	582,839	288	201,568	1,178,266	52,177	293,447	1,523,890	1,153,723
Advertising and marketing expenses	117,145	703,585	-	128,068	948,798	7,300	59,436	1,015,534	791,094
Professional and consulting fees	195,869	774,694	3,457	12,537	986,557	202,677	80,272	1,269,506	1,049,831
Interest expense	122,703	557,523	3,655	-	683,881	143,223	3,655	830,759	608,487
Other operating expenses	272,141	852,412	2,665	50,896	1,178,114	175,148	64,440	1,417,702	924,879
Total Expenses Before Depreciation and Amortization	4,880,164	20,999,663	17,975	1,702,436	27,600,238	2,951,164	1,626,030	32,177,432	28,543,687
Costs with direct benefits to donors	-	-	-	-	-	-	(112,250)	(112,250)	(111,250)
Total Expenses Reported by Function on the Statement of Activities	4,880,164	20,999,663	17,975	1,702,436	27,600,238	2,951,164	1,513,780	32,065,182	28,432,437
Depreciation and amortization	488,208	2,232,802	17,230	-	2,738,240	569,852	14,544	3,322,636	3,402,654
Total Expenses - 2023	\$ 5,368,372	\$ 23,232,465	\$ 35,205	\$ 1,702,436	\$ 30,338,478	\$ 3,521,016	\$ 1,528,324	\$ 35,387,818	\$ 31,835,091
Total Expenses - 2022	\$ 4,761,252	\$ 20,753,063	\$ 135,959	\$ 1,430,897	\$ 27,081,171	\$ 3,212,871	\$ 1,541,049	\$ 31,835,091	

See notes to financial statements

Intrepid Museum Foundation

Statement of Cash Flows For the Year Ended December 31, 2023 (with comparative amounts for the year ended December 31, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (867,759)	\$ (6,596,228)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	3,322,636	3,402,654
Net unrealized (gain) loss on investments	(3,220,461)	7,583,576
Net realized loss (gain) on sale of investments	130,742	(19,324)
Gain from extinguishment of debt	-	(2,000,000)
Amortization of contract buyout	(203,328)	(203,328)
Amortization of discount on pledges receivable	(6,867)	(6,867)
Change in Operating Assets and Liabilities		
Pledges receivable	80,887	815,656
Grants receivable	2,980,357	(566,917)
Other receivables	(778,871)	(836,607)
Prepaid expenses and other assets	(100,780)	(7,459)
Accounts payable and accrued liabilities	1,405,995	1,177,924
Advances payable	(221,205)	(3,025,833)
Due to federal agency	-	(5,414,878)
Deferred revenue	270,555	288,547
Net Cash from Operating Activities	2,791,901	(5,409,084)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	10,149,102	10,532,154
Purchases of investments	(8,333,465)	(10,979,837)
Acquisition of fixed assets	(5,346,362)	(389,879)
Net Cash from Investing Activities	(3,530,725)	(837,562)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable - revolving credit facility	1,200,000	-
Repayments on notes payable - revolving credit facility	(4,000,000)	-
Repayments on loans payable	(233,750)	(222,500)
Payments on finance obligation	(207,163)	(86,826)
Net Cash from Financing Activities	(3,240,913)	(309,326)
Net Change in Cash	(3,979,737)	(6,555,972)
CASH		
Beginning of year	11,535,332	18,091,304
End of year	\$ 7,555,595	\$ 11,535,332
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 830,760	\$ 608,488
NONCASH FINANCING ACTIVITIES		
Equipment financed through finance obligation	-	1,085,346
Gain from extinguishment of debt	-	2,000,000

See notes to financial statements

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2023

1. Organization and Tax Status

Intrepid Museum Foundation is a not-for-profit education corporation organized under the laws of the State of New York and chartered by the Board of Regents of the University of the State of New York. It operates the Intrepid Sea, Air & Space Museum (referred to herein as the "Museum"), located primarily aboard the aircraft carrier, the former *USS Intrepid*, in New York City at Pier 86 in Hudson River Park. The Museum opened to the public on August 3, 1982.

The Museum seeks to promote the awareness and understanding of history, science and service through its collections, exhibitions and programming in order to honor our heroes, educate the public and inspire our youth.

The Museum also provides program support and administrative services to the Intrepid Fallen Heroes Fund (the "Fund"). The Fund performs services that were previously rendered and administered by the Museum. In 2003 the Fund was incorporated as a separate entity and the Museum transferred the responsibility to provide those services to the Fund without consideration.

Similarly, the Museum provides program support and administrative services to the Intrepid Relief Fund, a separately incorporated entity.

The Museum has been determined by the Internal Revenue Service to be a charitable organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). On November 1, 1983, the Museum was classified as a publicly supported organization and not as a private foundation under Section 509(a)(2) of the IRC, and qualifies for the maximum charitable contribution deduction by donors.

2. Summary of Significant Accounting Policies

Adoption of New Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board issued an accounting pronouncement related to the measurement of credit losses on financial instruments. This pronouncement and subsequently issued Accounting Standards Updates, clarified certain provisions of the new guidance, changed the incurred loss model for most financial assets and required the use of an expected loss model for instruments measured at amortized cost and certain other instruments that are not measured at fair value through net income. Under this model, entities are required to estimate the lifetime expected credit losses on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. The adoption of this guidance on January 1, 2023 did not have a material effect on the Museum's financial statements.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

Net Asset Presentation

The financial statements of the Museum report amounts separately by class of net assets based on the presence or absence of donor restrictions with the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Museum, its programs or supporting activities. These net assets may be used at the discretion of the Museum's management and Board of Trustees (the "Board").

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors that limit their use either through purpose or time restrictions. Some donor restrictions are temporary in nature, which will be met by actions of the Museum or by passage of time. These amounts are restricted primarily for education and public programs, exhibitions and certain aircraft maintenance.

Other donor restrictions are perpetual in nature, whereby the donor has stipulated the Museum maintains the assets in perpetuity, but permits the Museum to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. The principal amounts of these assets are permanently restricted as an endowment fund.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies, if any, at the date of the financial statements, and the reported amounts of support and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Measure of Operations

The Museum includes in its measure of operations all revenue and expenses that are integral to its programs and supporting activities, net assets released from donor restrictions to support operations, and other funds to support current operating activities. The measure of operations excludes depreciation and amortization, grants and contributions restricted for capital expenditures or endowments, gains (losses) on sales of fixed assets, gain on extinguishment of debt, insurance proceeds from casualty loss and investment return on assets in excess of the investment spend rate.

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

Pledges, Grants and Other Receivables

Pledges and non-government grants receivables are recorded and discounted if due over more than one year using risk-adjusted interest rates applicable in the year in which the pledge or grant was received. Amortization of the discount is included in contribution revenue. Government grant receivables are recorded when the Museum meets the conditions for revenue recognition, mainly as it incurs reimbursable program expenditures. Other receivables represent amounts due from exchange transactions when services are rendered.

An estimated allowance for doubtful accounts is provided when necessary based on management's assessment of collectability.

At January 1, 2022, the contract assets consisted of other receivables of \$701,900. At January 1, 2022, the contract liabilities consisted of deferred revenue of \$1,971,906.

Fair Value Measurements

The Museum follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets.

- Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets.
- Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data.
- Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments Valuation and Income Recognition

Investments are recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position, and changes in fair value are reported as investment return in the statement of activities.

Purchases and sales of securities are recorded on a trade-date basis. Gains and losses on sales of securities are recorded in the statement of activities in the period in which the securities are sold. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2023

2. Summary of Significant Accounting Policies *(continued)*

Exhibits, Intrepid and Collections

The Museum capitalizes exhibit costs as they are incurred at their purchase price. If exhibit costs are donated, they are capitalized at their fair value on the date of donation. Upon the opening of an exhibit, the capitalized costs are amortized on a straight-line basis over their estimated useful life of 5 to 40 years. The net unamortized exhibit costs, together with the capitalized costs incurred for facilities infrastructure to accommodate the exhibits, are included in fixed assets on the accompanying statement of financial position.

Certain exhibits were placed on loan to the Museum by the United States Department of the Navy, (the "Navy"), British Airways ("BA") and other entities, and the value thereof is not readily determinable. Accordingly, the Museum has followed the accounting policy of most museums with respect to collections and exhibits on loan and has not included those assets in the financial statements. The submarine, *Growler*, was loaned by the Navy to the Museum, and was opened to the public in May 1989. The Concorde G-BOAD was loaned to the Museum by BA on November 24, 2003 for an unspecified period of time.

On November 22, 2011, the Museum entered into a Contract for the Conditional Transfer of Title to NASA Historic Artifact(s) with National Aeronautics and Space Administration ("NASA") to acquire the Space Shuttle Orbiter, *Enterprise* ("*Enterprise*"). NASA transferred the title to the Museum subject to certain conditions and restrictions for a 20-year period after which time the title transfer is permanent. NASA physically delivered the *Enterprise* to the Museum at JFK Airport on April 27, 2012.

Major repairs and improvements which preserve these collections and exhibits and/or increase the future economic usefulness of the assets are capitalized.

Fixed Assets

Purchased fixed assets are recorded at cost and contributions of fixed assets are recorded at their fair value at the time of contribution. The Museum capitalizes expenditures for fixed assets in excess of \$5,000 with useful lives of greater than one year.

Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets (ship and submarine renovations - 10 to 25 years, exhibits and related infrastructure costs – 5 to 40 years, and furniture, fixtures, equipment, and computer software - 3 to 5 years). Amortization of leasehold improvements is provided for on the straight-line method over the anticipated extended term of the pier lease - 30 years.

Long-lived assets are reviewed for impairment when events or circumstances indicate that their carrying value may be impaired. There was no impairment recognized for the years ended December 31, 2023 and 2022. Major renewals and betterments are capitalized and depreciated over the remaining useful life of the asset. All other maintenance and repairs are recorded as operating expenses.

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition

The Museum recognizes revenue from ticket sales at the time of admission and the day workshops and programs are held. The Museum recognizes membership dues over the membership period. The Museum records special events revenue equal to the fair value of direct benefit to donors, if any, and contribution income for the excess received when the event takes place. The Museum records venue rental revenue for third party private client events when the event takes place. The Museum recognizes revenue from its concessions monthly based on the contract terms for minimum rent and percentage rent or based on percentage of concessions sales by and between the Museum and the concession operators. The Museum recognizes revenue from its auxiliary sales when the customer picks up the audio guide or takes the public tour.

Deferred Revenue

Membership fees are paid in advance and recognized over the term of the membership. Also, the Museum receives deposits for special events to be held at a future date and sells refundable admission tickets in advance for future Museum visits. Revenue from special events and advance ticket sales is recognized when the event takes place or when the ticket holder visits the Museum. In addition, revenue received in advance in accordance with contractual, sponsorship and concession agreements, such as contract buy-out contributions and extension incentive fees, is recognized over the term of the agreement.

Contributions

Contributions received and unconditional promises to give are measured at their net realizable values and are reported as an increase in net assets in the period received. The Museum reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for specified future periods.

The Museum reports gifts of goods and equipment as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are recorded as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

Contributed Nonfinancial Assets

Contributed services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills, and typically would need to be purchased, if not provided by donation. In-kind contributions are reflected in the accompanying statement of activities at their fair value at the time the services are rendered.

The free use of facilities and goods donated as part of program services, fundraising activities, or management and general expenses, are recorded in the accompanying financial statements at their fair value on date of use or receipt to the extent that such amounts can be reasonably estimated.

The Museum also receives donated services that do not require specific expertise, but which are nonetheless central to the Museum's operations. The estimated value of these services are based on the estimated dollar value of volunteer time and for the years ended December 31, 2023 and 2022, amounted to approximately \$610,000 (20,379 hours of time) and \$522,000 (17,414 hours of time). In accordance with U.S. GAAP the value of these services is not reflected in the accompanying financial statements.

Rental Income

Income from rental of Museum space for third party client events is recorded net of allowable discounts in the statement of activities. Rental discounts totaled \$187,950 and \$75,000 for the years ended December 31, 2023 and 2022.

Advertising

Advertising costs are expensed as incurred and amounted to \$454,051 and \$388,144 for the years ended December 31, 2023 and 2022.

Functional Allocation of Expenses

The Museum reports its expenses for providing programs and other activities and certain costs for supporting services by their functional classification on a summarized basis in the statement of activities. Program expenses are the activities that result in services being provided to the public pursuant to the Museum's mission. Supporting expenses are classified as management and general activities and include all management and administrative functions, such as oversight and business management, but exclude direct conduct of program services and fundraising activities. Fundraising activities include developing and maintaining relations with major donors, foundations, organization membership and potential donors.

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses (continued)

Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense Classification</u>	<u>Method of Allocation</u>
Salaries, wages and other employment expenses	Time and effort
Rent	Square footage
Repairs and maintenance	Square footage
Utilities and telephone	Square footage
Property and casualty insurance	Square footage
Contract services and equipment rentals	Square footage
Office expenses and supplies	Time and effort
Event and program expenses	Time and effort
Advertising and marketing expenses	Time and effort
Professional and consulting fees	Time and effort
Interest expense	Time and effort
Other operating expenses	Time and effort
Depreciation and amortization	Square footage

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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Museum's financial statements as of and for the year ended December 31, 2022, from which the summarized information was derived.

Accounting for Uncertainty in Income Taxes

The Museum recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Museum had no uncertain tax positions that would require financial statement recognition or disclosure. The Museum is no longer subject to examinations by the applicable taxing jurisdictions for tax years prior to fiscal 2020.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which is May 2, 2024.

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2023

3. Availability and Liquidity

The following represents the Museum's financial assets as of December 31:

	<u>2023</u>	<u>2022</u>
Total financial assets at year end		
Cash	\$ 7,555,595	\$ 11,535,332
Pledges receivable, net	4,609,139	4,683,159
Grants receivable	701,923	3,682,280
Other receivables	2,317,378	1,538,507
Investments	10,062,302	8,845,087
Restricted investments	<u>21,937,120</u>	<u>21,880,253</u>
Total Financial Assets	<u>47,183,457</u>	<u>52,164,618</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions - purpose and time restrictions	(13,238,039)	(12,707,090)
Net assets with donor restrictions - endowment funds	(22,440,988)	(22,434,121)
Net assets with donor restrictions expected to be met in less than one year	<u>749,885</u>	<u>3,832,697</u>
	<u>(34,929,142)</u>	<u>(31,308,514)</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 12,254,315</u>	<u>\$ 20,856,104</u>

The Museum's goal is generally to maintain financial assets to meet three months of operating expenses. As part of its liquidity plan, excess cash is invested in short-term, highly liquid investments, such as money market accounts. In addition, the Museum has an available revolving credit facility in the amount of \$10,000,000 of which \$7,800,000 remains available at December 31, 2023 to meet cash flow needs. Lastly, the Museum generally operates with a conservative spending rate allocation of between 3% and 6%. For 2023, the Board approved a spend rate allocation to 6%.

4. Concentration of Credit Risk

Financial instruments that potentially subject the Museum to significant concentrations of credit risk consist principally of cash, investments and receivables. The Museum maintains its cash with two financial institutions, which at times, may be in excess of federally insured limits. As of December 31, 2023 and 2022, there was approximately \$7,100,000 and \$10,901,000 of cash and cash equivalents held by banks that exceeded FDIC limits. The Museum has not experienced any losses on its cash deposits.

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2023

4. Concentration of Credit Risk *(continued)*

Investment holdings at financial institutions insured by the Securities Investor Protection Corporation ("SIPC") are insured up to \$500,000 (\$250,000 for cash holdings). At times balances may exceed the SIPC limit. The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of market risk. As of December 31, 2023 and 2022, the Museum's uninsured investment holdings totaled approximately \$27,702,000 and \$29,975,000.

A concentration of credit risk exists with respect to pledges receivable since amounts receivable from one source represent 86% and 60% of the total pledges receivable as of December 31, 2023 and 2022.

5. Pledges Receivable

Pledges receivable are due as follows at December 31, 2022:

2024	\$	236,457
2025		236,457
2026		236,457
2027		236,457
2028		236,457
Thereafter		<u>3,502,387</u>
		4,684,672
Less: discount for present value		<u>(75,533)</u>
		<u>\$ 4,609,139</u>

At December 31, 2023 and 2022, a pledge receivable totaling \$524,460 and \$567,600, net of present value discount, was due from the estate of a deceased Board Trustee and their related entity. The pledge has a donor restriction that is perpetual in nature for the Museum's endowment fund. The undiscounted amount totals \$600,000. The Museum applied a discount rate of 3%, at the time of receipt of the pledge, in determining the present value of the long-term portion of the endowment pledge and pledge receivable with donor restrictions that are temporary in nature. Amortization of the discounts on pledges receivable amounted to \$6,867 for each of the years ended December 31, 2023 and 2022, and is included in "Contributions" in non-operating activities on the statement of activities.

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2023

6. Investments

Investments consist of the following as of December 31:

	2023	
	Cost	Fair Value
Short term investments	\$ 2,062,591	\$ 2,062,591
Common stock	9,380,735	13,640,011
Fixed income	12,013,805	11,421,343
Mutual funds	4,253,454	4,875,477
	\$ 27,710,585	\$ 31,999,422
	2022	
	Cost	Fair Value
Short term investments	\$ 3,483,269	\$ 3,483,269
Common stock	10,174,978	11,844,250
Fixed income	11,295,860	10,458,742
Mutual funds	4,702,857	4,939,079
	\$ 29,656,964	\$ 30,725,340

In accordance with the Museum's investment policy, the Board approves a portion of total investment return to support operations and programs each year. Such amounts approved for operations were capped at 6% of the total average value of the investments in 2023 and 2022. The total average value is based on the prior three calendar year fair values, which include 2020, 2021 and 2022 for fiscal 2023, and 2019, 2020 and 2021 for fiscal 2022. The amount approved for operations for the years ended December 31, 2023 and 2022 was \$1,980,790 and \$1,964,787.

Investment return for the years ended December 31, consist of the following:

	2023	2022
Interest and dividend income	\$ 892,787	\$ 706,984
Net realized gain	(130,742)	19,324
Net unrealized gain (loss)	3,220,461	(7,583,576)
Total Return on Investments	3,982,506	(6,857,268)
Investment management direct fees	(141,550)	(128,621)
Total Investment Return	\$ 3,840,956	\$ (6,985,889)
Approved by board authorization for Museum operations	\$ 1,980,790	\$ 1,964,787
Surplus (deficit) of investment return over amounts designated for operations	1,860,166	(8,950,676)
	\$ 3,840,956	\$ (6,985,889)

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2023

7. Fair Value Measurements

The following are major categories of investments measured at estimated fair value at December 31:

	2023		
	Level 1	Level 2	Total
Common Stock			
Consumer	\$ 2,621,657	\$ -	\$ 2,621,657
Energy	420,962	-	420,962
Financials	1,471,633	-	1,471,633
Healthcare	2,081,136	-	2,081,136
Industrials	1,782,508	-	1,782,508
Information technology	4,369,423	-	4,369,423
Real estate	267,389	-	267,389
Telecommunication services	569,935	-	569,935
Other equities	55,368	-	55,368
Fixed Income			
U.S. Corporate bonds	-	3,474,096	3,474,096
International developed bonds	-	448,676	448,676
U.S. Government-backed securities	7,498,571	-	7,498,571
Mutual funds	4,875,477	-	4,875,477
Total Investments at Fair Value	\$ 26,014,059	\$ 3,922,772	29,936,831
Temporary cash investments at cost			2,062,591
Total Investments			\$ 31,999,422

	2022		
	Level 1	Level 2	Total
Common Stock			
Consumer	\$ 2,346,046	\$ -	\$ 2,346,046
Energy	563,448	-	563,448
Financials	797,967	-	797,967
Healthcare	2,386,659	-	2,386,659
Industrials	1,485,915	-	1,485,915
Information technology	2,976,526	-	2,976,526
Materials	44,111	-	44,111
Real estate	480,691	-	480,691
Telecommunication services	653,420	-	653,420
Other equities	109,467	-	109,467
Fixed Income			
U.S. Corporate bonds	-	4,270,258	4,270,258
International developed bonds	-	779,462	779,462
U.S. Government-backed securities	5,409,022	-	5,409,022
Mutual funds	4,939,079	-	4,939,079
Total Investments at Fair Value	\$ 22,192,351	\$ 5,049,720	27,242,071
Temporary cash investments at cost			3,483,269
Total Investments			\$ 30,725,340

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2023

8. Fixed Assets

Fixed assets consist of the following as of December 31:

	2023	2022
Ship and submarine renovations	\$ 64,038,178	\$ 63,991,085
Exhibits and related infrastructure costs	24,900,593	24,555,466
Leasehold improvements	22,947,908	22,939,379
Furniture, fixtures, equipment and computer software	11,536,413	10,104,205
Work in progress	4,874,410	1,361,005
	128,297,502	122,951,140
Less: accumulated depreciation and amortization	(86,606,867)	(83,284,231)
Net Book Value	\$ 41,690,635	\$ 39,666,909

Depreciation and amortization expense totaled \$3,322,636 and \$3,402,654 for the years ended December 31, 2023 and 2022.

9. Finance Obligation

During 2022, the Museum financed the purchase of upgrading and replacing technology equipment and systems for a new website. The financing agreement requires 60 monthly payments of principal and interest, imputed at an annual rate of 2.55%. The assets have a cost and net book value of \$1,085,346 and \$944,846 at December 31, 2023 and a cost and net book value of \$1,085,346 at December 31, 2022 and is included in fixed assets on the statement of financial position. The assets related to this agreement were placed into service during the year ended December 31, 2023 and are included in furniture, fixtures, equipment and computer software in Note 8.

Future minimum payments are as follows for the years ending December 31:

	Principal	Interest	Total
2024	\$ 249,877	\$ 34,284	\$ 284,161
2025	244,699	23,748	268,447
2026	244,699	12,864	257,563
2027	69,743	2,265	72,008
	\$ 809,018	\$ 73,161	\$ 882,179

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2023

10. Loans Payable

Term Loan

On October 1, 2012, the Museum entered into a Term Loan (the "2012 Term Loan") agreement in the principal amount of \$7,080,000 for a term of seven years with a balloon payment of \$6,020,000 originally due on September 30, 2019. The 2012 Term Loan required monthly payments of principal, amortized on a 25 year basis, and interest, calculated at the fixed rate of 2.88% per annum. The proceeds of the 2012 Term Loan were used to redeem the 30-year Adjustable Rate Demand Taxable Revenue Bonds, Series 2006 ("Bonds").

On November 21, 2016, the Museum refinanced the 2012 Term Loan in the principal amount of \$6,501,667 for the term of ten years with a balloon payment of \$4,375,000 due on October 31, 2026 (the "Loan"). The Loan requires monthly payments of principal, amortized on a 25 year basis, and interest, calculated at the fixed rate of 2.99% per annum. The proceeds of the Loan were used to pay the 2012 Term Loan in full.

Future principal payments are as follows for the years ending December 31:

2024	\$ 248,750
2025	263,750
2026	<u>4,581,250</u>
	<u>\$ 5,093,750</u>

Paycheck Protection Program

On March 26, 2021, the Museum received loan proceeds in the amount of \$2,000,000 under Second Draw provisions of the PPP as authorized by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the "Economic Aid Act"). The Second Draw provisions of the Economic Aid Act provide for loans to qualifying entities for amounts up to 2.5 times their 2019 or 2020 average monthly payroll expenses. The Second Draw PPP loan bears an interest rate of 1% per annum. All or a portion of the Second Draw PPP loan principal and accrued interest is forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act as amended by the Economic Aid Act, over a period between eight to twenty-four weeks from the date the Second Draw PPP loan proceeds are received (the "Second Draw Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries below a certain threshold during the Second Draw Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the Second Draw PPP loan, if any, is payable within five years from the date of the PPP loan with a deferral of payments of principal and interest until the amount of loan forgiveness is approved by the SBA. If the Museum does not apply for forgiveness, payments begin approximately 16 months after the loan date. On February 4, 2022 the SBA advised all principal and interest under the loan was forgiven in full and included in the 2022 statement of activities as gain on extinguishment of debt, including interest of \$15,389.

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2023

11. Notes Payable

Line of Credit

The Museum maintains a line of credit in the amount of \$8,000,000, which matures on October 1, 2024. At the election of the Museum, at the time an advance is made by the lender, interest will be at either a fluctuating rate per annum equal to the prime rate or a fixed rate equal to 1.45% per annum in excess of the Bloomberg Short Term Bank Yield Index ("BSBY"). The line provides for monthly payments of interest only during the term of the borrowings for loans made under the fluctuating prime rate, and on the last day of the interest period for fixed rate SOFR loans. Additionally, the Museum pays a facility fee to the bank in an amount equal to 0.15% on the average daily unused amount of the line during such period.

Under the terms of this line of credit agreement, the Museum is required to maintain at all times a minimum of \$18,000,000 in cash and investments, as defined in the agreement.

The balance outstanding under the line of credit at December 31, 2023 and 2022 was \$8,000,000.

Revolving Credit Facility

On June 19, 2020, the Museum secured a Revolving Credit Facility with a term of one year in the amount of \$10,000,000 for operations during its government mandated temporary closure due to COVID-19. At the election of the Museum, at the time an advance is made by the lender, interest will be at either a fluctuating rate per annum equal to the prime rate, or an Optional Interest fixed rate equal to 1.0% per annum in excess of SOFR, which if less than 2.0% shall be deemed 2.0%. The facility provides for monthly payments of interest only during the term of the borrowings for loans made under the fluctuating prime rate, and on the last day of the interest period for fixed rate SOFR loans.

Additionally, the Museum pays a facility fee to the bank in an amount equal to 0.25% on the average daily unused amount of the line during such period. Under the terms of this line of credit agreement, the Museum is required to maintain at all times a minimum of \$18,000,000 in cash and investments, as defined in the agreement.

On October 28, 2023, the facility termination date was extended to October 1, 2024, and the Optional Interest fixed rate was increased to BSBY rate plus 1.45% per annum. The Museum pays an Unused Commitment Fee for any amount undrawn of 0.15% per year.

The balance outstanding under the credit facility at December 31, 2023 and 2022 was \$2,200,000 and \$5,000,000.

Total interest expense incurred for the years ended December 31, 2023 and 2022 was \$830,760 and \$608,487, including interest expense for the Museum's line of credit, loan payable and finance obligation.

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2023

12. Contributed Nonfinancial Assets

The Museum received contributed nonfinancial assets as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>	Utilization in Programs / Activities	Donor Restrictions	Valuation Techniques and Inputs
Legal services	\$ 392,381	\$ 201,253	Management and General, Programs and Fundraising	None	Estimated based on current rates of legal services provided by law firms
Special events	182,048	139,890	Fundraising and 3rd party client events	None	Estimated based on market values of similar goods and services
Travel	-	1,366	Programs	None	Estimated based on market values of similar goods and services
Rent	<u>7,019</u>	<u>3,543</u>	Management and General, Programs and Fundraising	None	Estimated based on market values of similar space rentals
	<u>\$ 581,448</u>	<u>\$ 346,052</u>			

13. Grant Income

During the years ended December 31, 2023 and 2022, the Museum was awarded various grants from Federal, New York State and New York City governmental agencies, corporations and private foundations for use in capital projects and for programs and general operational support.

14. Commitment

The Museum is committed under an operating lease with the Hudson River Park Trust ("HRPT") for Pier 86, commencing July 27, 2021 for a 30-year term, with a base rent of \$1 per annum and the Museum bearing responsibility for all necessary maintenance and repairs to the pier, including the concrete deck, pier and marine bulkhead structure and piling ("Pier Work"). The total in-kind rent contribution recognized for the 30 year lease term is \$4,348,580, net of a present value discount of \$1,351,420. The net value of \$4,348,580 will be amortized over the life of the lease.

Intrepid Museum Foundation

Notes to Financial Statements
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14. Commitment *(continued)*

During the years ended December 31, 2023 and 2022, the Museum recognized a contribution in-kind and the related rent expense of \$190,000 for both years, representing the fair value of leasing Pier 86. The space was utilized in management and general, programs, and fundraising activities, there are no donor restrictions on use of the space and the valuation of the space was determined based on market values of similar space rentals.

15. Lease and Sponsorship Agreements

Gift Shop: The Museum entered into an operating lease agreement with a third party company to lease portions of the ground and second floors of the Welcome Center adjacent to the Intrepid and designated space in the Space Shuttle Pavilion effective June 5, 2015. The lease term is for seven years plus a five-year extension term. Under the terms of the lease agreement, the Museum receives an annual minimum rent payment of \$750,000 based on an applicable percentage on "Annual Net Gross Sales" (as defined in the agreement), subject to the Museum meeting certain attendance thresholds. Upon execution of the lease agreement, the tenant was also required to make a "buy-out contribution" payment of \$583,334, as defined in the agreement. The payment is included in deferred revenue and is being recognized over the terms of the lease agreement.

Future minimum annual rent income under the lease is as follows for the years ending December 31:

2024	\$ 750,000
2025	750,000
2026	750,000
2027	318,493
	<u>\$ 2,568,493</u>

Food Services: Effective January 1, 2017, the Museum executed a lease agreement with a third party operator to be the exclusive provider of daily food and beverages for a term of ten years. Under the terms of the lease agreement, the Museum receives an annual minimum rent payment of \$500,000 based on an applicable percentage on "Annual Net Gross Sales" (as defined in the agreement), subject to the Museum meeting certain attendance thresholds. Upon execution of the lease agreement, the tenant was also required to make a "buy-out contribution" payment of \$1,200,000, as defined in the agreement. The payment is included in deferred revenue and is being recognized over the terms of the lease agreement.

Future minimum annual rent income under the lease is as follows for the years ending December 31:

2024	\$ 500,000
2025	500,000
2026	500,000
	<u>\$ 1,500,000</u>

Intrepid Museum Foundation

Notes to Financial Statements
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15. Lease and Sponsorship Agreements (*continued*)

The Museum received rental income related to such agreements for the years ended December 31, 2023 and 2022 of \$1,650,520 and \$1,369,073 and is included in auxiliary activities on the statement of activities.

The Museum also entered into certain agreements with concessionaires to provide catering services and interactive exhibits. The terms of these agreements call for revenue sharing and commissions and are exclusive. The agreement terminates in 2031.

Sponsorship Agreements: The Museum entered into certain agreements with corporations that provide for exclusive sponsorship rights for the Museum complex in the amount of \$312,292 and \$283,125 for the years ended December 31, 2023 and 2022.

16. Net Assets With Donor Restrictions and Releases from Restrictions

Net assets with donor restrictions are available for the following purposes at December 31:

	2023	2022
Purpose Restrictions		
Educational programs	\$ 103,954	\$ 268,623
Exhibition programs	458,122	713,331
Public programs	17,000	70,710
General programs	124,529	113,333
Institutional advancement	76,220	480,444
	779,825	1,646,441
Timing Restriction		
In-kind rent	3,899,976	4,082,956
Accumulated earnings on endowment funds	8,558,238	6,977,693
	\$ 13,238,039	\$ 12,707,090

Net assets with donor restrictions as of December 31, 2023 and 2022 also include endowment funds, income from which is available principally for general operations (see note 17).

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2023

16. Net Assets With Donor Restrictions and Releases from Restrictions (continued)

The following amounts were released from net assets with donor restrictions by authorization of the donor and/or the occurrence of the event for which the donor specified such donation was to be used for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Purpose Restrictions Satisfied		
Educational programs	\$ 555,419	\$ 369,388
Exhibition programs	701,543	59,054
Public programs	52,163	26,453
General programs	897,214	282,120
	<u>\$ 2,206,339</u>	<u>\$ 737,015</u>
Timing Restrictions Met	<u>\$ 1,980,790</u>	<u>\$ 1,964,787</u>

17. Endowment Fund

A large portion of the Museum's investments is held as part of its endowment fund. The Museum's endowment consists of various individual gifts established by donors primarily to support the mission of the Museum. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of the Museum has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary or in those cases where the law allows appropriation for spending of the original gift amounts.

As a result of this interpretation, the Board classifies as net assets with donor restrictions that are held as endowment (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations of investment returns to the 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 retained in perpetuity is subject to appropriation for expenditure by the Board in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Intrepid Museum Foundation

Notes to Financial Statements
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17. Endowment Fund *(continued)*

Return Objective and Risk Parameters

Endowment assets consist of funds that the Museum must hold in perpetuity as well as accumulated earnings not yet appropriated. There are no donor restrictions on the accumulated earnings.

The Museum's investment policy, as approved by the Board in January 2013, utilizes a total return investment approach. Endowment assets are invested in a number of different asset classes and investment strategies to diversify investments and provide a balance that will enhance the long-term total return of the overall investment portfolio while avoiding undue risk or concentration in any single asset class or investment. Target allocation percentages and operating ranges are established for various asset classes. Performance is measured against various composite benchmark indices reflecting target asset allocation.

State law allows the Board to appropriate as much of net appreciation as is prudent considering the Museum's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions.

Under the Museum's spending policy, up to 6% of the average fair value of the investments at the end of the prior three calendar years (Note 6) is available for operations. The amount approved for operations during the years ended December 31, 2023 and 2022 was \$1,980,790 (6%) and \$1,964,787 (6%).

The following is a reconciliation of the investment activity in the donor restricted funds for the years ended December 31:

	With Donor Restrictions		Total
	Accumulated Earnings	Perpetual in Nature	
Balance, December 31, 2021	\$ 16,029,822	\$ 21,773,386	\$ 37,803,208
Contributions	-	6,867	6,867
Collection of pledge receivable	-	100,000	100,000
Spend rate appropriation	(1,964,787)	-	(1,964,787)
Investment return	(7,087,342)	-	(7,087,342)
Balance, December 31, 2022	6,977,693	21,880,253	28,857,946
Contributions	-	6,867	6,867
Collection of pledge receivable	-	50,000	50,000
Spend rate appropriation	(1,980,790)	-	(1,980,790)
Investment return	3,561,335	-	3,561,335
Balance, December 31, 2023	\$ 8,558,238	21,937,120	\$ 30,495,358
Pledge receivable		503,868	
Total endowment funds		\$ 22,440,988	

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Notes to Financial Statements
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18. Qualified Retirement Savings Plan

The Museum sponsors a retirement savings plan under Section 403(b) of the IRC. The plan allows for all eligible participating employees to elect to defer salary on a pre-tax basis and invest such amounts in a wide array of mutual funds managed by an independent, unrelated investment manager. The Museum made a discretionary contribution to the plan in the amount of \$130,241 in 2023 and \$116,805 in 2022 which is included in salaries, wages and other employment costs on the statement of functional expenses.

19. Risk and Uncertainties

The Museum invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of financial position.

20. Litigation

From time to time the Museum is a party to litigation matters that have arisen in the normal course of operations, including complaints alleging personal injuries which were sustained by visitors to the Museum, and employment practice complaints filed by current and former employees. In management's opinion, the ultimate liability for these claims will not be in excess of the Museum's insurance coverage. Accordingly, the Museum's cost will be limited to its insurance deductible or retainerage for each occurrence.

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