

USS CONSTITUTION MUSEUM, INC.

FINANCIAL STATEMENTS

MARCH 31, 2025 and 2024

USS CONSTITUTION MUSEUM, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
USS Constitution Museum, Inc.

Opinion

We have audited the financial statements of USS Constitution Museum, Inc., (a nonprofit organization), which comprise the statement of financial position as of March 31, 2025, and the related statements of activities and changes in net assets, 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 USS Constitution Museum, Inc. as of March 31, 2025, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of USS Constitution Museum, Inc. 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.

Prior Period Financial Statements

The financial statements of USS Constitution Museum, Inc. as of and for the year ended March 31, 2024, were audited by another auditor who expressed an unmodified opinion on those statements on August 26, 2024.

Responsibilities of Management for the Financial Statements

The USS Constitution Museum, Inc.'s 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 USS Constitution Museum, Inc.'s ability to continue as a going concern for 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

EisnerAmper LLP

EISNERAMPER LLP
Boston, Massachusetts
September 26, 2025



USS CONSTITUTION MUSEUM, INC.

Statements of Financial Position

	March 31,	
	2025	2024
ASSETS		
Cash	\$ 3,662,989	\$ 3,360,031
Accounts receivable	28,899	24,881
Grants receivable	50,177	127,193
Pledges receivable, net	225,399	312,238
Inventory	81,839	28,972
Prepaid expenses	31,543	24,901
Trust residuary	-	962,748
Investments	10,189,751	8,861,349
Operating lease right-of-use assets	31,024	35,004
Leasehold improvements, exhibits, and equipment, net	1,108,057	1,040,672
Intangible assets, net	7,051	19,720
Total assets	<u>\$ 15,416,729</u>	<u>\$ 14,797,709</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 65,927	\$ 132,495
Accrued expenses	270,827	292,328
Refundable advances	333,333	1,000
Deferred revenue	7,075	7,001
Operating lease liability	31,024	35,004
Annuity payable	100,348	105,419
Total liabilities	<u>808,534</u>	<u>573,247</u>
Net assets:		
Without donor restrictions	3,497,795	3,227,696
With donor restrictions	11,110,400	10,996,766
Total net assets	<u>14,608,195</u>	<u>14,224,462</u>
	<u>\$ 15,416,729</u>	<u>\$ 14,797,709</u>

See notes to financial statements.

USS CONSTITUTION MUSEUM, INC.

Statements of Activities and Changes in Net Assets

	Year Ended March 31,					
	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating support and revenues:						
Grants and contributions	\$ 699,877	\$ 66,658	\$ 766,535	\$ 631,222	\$ 58,000	\$ 689,222
Appeals	175,590	4,950	180,540	135,606	4,150	139,756
Special events	395,035	-	395,035	338,702	-	338,702
Government grants	347,967	165,000	512,967	375,608	-	375,608
In-kind contributions	275,873	-	275,873	24,990	-	24,990
Membership dues	35,780	-	35,780	36,445	-	36,445
Admission fees	1,025,442	-	1,025,442	982,327	-	982,327
Museum store revenue	418,026	-	418,026	375,681	-	375,681
Other revenue	60,937	-	60,937	65,601	-	65,601
Net assets released from donor restrictions	117,680	(117,680)	-	76,074	(76,074)	-
Net assets released from restrictions, New Museum Project	729,174	-	729,174	831,941	-	831,941
Amounts appropriated for operations pursuant to endowment spending policy	383,266	-	383,266	335,285	-	335,285
Total operating support and revenues	4,664,647	118,928	4,783,575	4,209,482	(13,924)	4,195,558
Operating expenses:						
Program services	2,662,027	-	2,662,027	2,601,567	-	2,601,567
Administration	549,507	-	549,507	517,802	-	517,802
Fundraising	1,277,087	-	1,277,087	979,538	-	979,538
Costs of direct benefits to donors	107,047	-	107,047	128,477	-	128,477
Total operating expenses	4,595,668	-	4,595,668	4,227,384	-	4,227,384
Change in net assets from operating activities	68,979	118,928	187,907	(17,902)	(13,924)	(31,826)
Nonoperating activities:						
Net investment return	213,118	692,995	906,113	121,152	1,187,404	1,308,556
Annuity liability revaluation adjustment	(11,998)	-	(11,998)	(11,985)	-	(11,985)
Unrealized gain on trust residuary	-	-	-	-	389,748	389,748
New Museum Project grants and contributions	-	414,151	414,151	-	1,317,732	1,317,732
Loss on uncollectible pledges	-	-	-	-	(15,000)	(15,000)
Net assets released from restrictions, New Museum Project	-	(729,174)	(729,174)	-	(831,941)	(831,941)
Amounts appropriated for operations pursuant to endowment spending policy	-	(383,266)	(383,266)	-	(335,285)	(335,285)
Change in net assets from nonoperating activities	201,120	(5,294)	195,826	109,167	1,712,658	1,821,825
Change in net assets	270,099	113,634	383,733	91,265	1,698,734	1,789,999
Net assets, beginning of year	3,227,696	10,996,766	14,224,462	3,136,431	9,298,032	12,434,463
Net assets, end of year	\$ 3,497,795	\$ 11,110,400	\$ 14,608,195	\$ 3,227,696	\$ 10,996,766	\$ 14,224,462

See notes to financial statements.

USS CONSTITUTION MUSEUM, INC.

Statement of Functional Expenses Year Ended March 31, 2025

	Curatorial	Education/ Interpretation Services	Retail Operations	Marketing	Exhibits	Total Program Services	Administration	Fundraising	Costs of Direct Benefits to Donors	Total
Salaries	\$ 223,321	\$ 845,478	\$ 43,985	\$ 25,427	\$ 225,022	\$ 1,363,233	\$ 291,464	\$ 454,146	\$ -	\$ 2,108,843
Professional fees	8,987	10,119	2,250	6,173	68,576	96,105	145,202	441,548	1,510	684,365
Occupancy	27,292	101,141	53,084	7,167	147,636	336,320	15,555	14,898	-	366,773
Lobbying	-	-	-	-	-	-	-	223,596	-	223,596
Employee benefits	22,746	88,774	4,078	1,676	31,965	149,239	22,896	38,264	-	210,399
Payroll taxes	23,227	63,053	3,365	1,644	17,968	109,257	21,710	30,584	-	161,551
Depreciation and amortization	3,666	59,429	-	-	59,384	122,479	-	713	-	123,192
Information technology	7,925	19,972	-	10,106	26,266	64,269	20,826	29,313	-	114,408
Catering/dining	-	-	-	-	-	-	-	421	93,019	93,440
Program and workshops	-	93,308	-	-	-	93,308	-	-	-	93,308
Cost of goods sold	-	-	80,243	-	-	80,243	-	-	-	80,243
Insurance	16,261	39,174	3,696	2,217	7,391	68,739	3,696	1,478	-	73,913
Advertising and public relations	-	64,441	3,041	-	1,057	68,539	-	-	-	68,539
Materials	-	-	-	-	36,871	36,871	-	-	-	36,871
Bank charges	-	182	-	-	-	182	4,898	22,214	-	27,294
Miscellaneous	12	8,226	-	-	5,639	13,877	3,026	752	-	17,655
Collections	16,798	-	-	-	-	16,798	-	-	-	16,798
Office supplies	292	1,082	-	177	3,885	5,436	8,790	1,370	-	15,596
Website	-	-	-	14,973	-	14,973	-	-	-	14,973
Printing	99	751	-	6,924	73	7,847	117	3,161	2,274	13,399
Office equipment	1,476	2,398	-	379	1,097	5,350	1,992	3,155	-	10,497
Membership dues and subscriptions	1,022	160	-	737	-	1,919	6,892	1,000	-	9,811
Cultivation	-	-	-	-	-	-	-	2,364	6,942	9,306
Travel	316	1,122	-	70	-	1,508	641	3,920	2,327	8,396
Postage and shipping	1,052	115	-	1,237	11	2,415	-	2,546	975	5,936
Meals	151	2,142	-	-	127	2,420	1,802	1,644	-	5,866
Conservation	700	-	-	-	-	700	-	-	-	700
	<u>\$ 355,343</u>	<u>\$ 1,401,067</u>	<u>\$ 193,742</u>	<u>\$ 78,907</u>	<u>\$ 632,968</u>	<u>\$ 2,662,027</u>	<u>\$ 549,507</u>	<u>\$ 1,277,087</u>	<u>\$ 107,047</u>	<u>\$ 4,595,668</u>

See notes to financial statements.

USS CONSTITUTION MUSEUM, INC.

Statement of Functional Expenses Year Ended March 31, 2024

	Curatorial	Education/ Interpretation Services	Retail Operations	Marketing	Exhibits	Total Program Services	Administration	Fundraising	Costs of Direct Benefits to Donors	Total
Salaries	\$ 212,646	\$ 816,880	\$ 40,684	\$ 20,627	\$ 220,539	\$ 1,311,376	\$ 275,259	\$ 302,431	\$ -	\$ 1,889,066
Professional fees	14,350	19,557	3,300	11,835	148,869	197,911	121,997	544,669	-	864,577
Occupancy	24,510	91,010	51,362	6,449	138,699	312,030	14,901	13,564	-	340,495
Employee benefits	24,543	74,367	3,480	1,783	33,490	137,663	18,159	18,728	-	174,550
Payroll taxes	21,510	62,848	4,077	1,542	16,966	106,943	21,385	18,241	-	146,569
Depreciation and amortization	4,099	72,921	264	-	55,256	132,540	-	811	-	133,351
Catering/dining	-	-	-	-	-	-	-	-	103,021	103,021
Information technology	8,375	23,388	-	6,993	6,185	44,941	22,128	28,770	-	95,839
Cost of goods sold	-	-	67,763	-	-	67,763	-	-	-	67,763
Miscellaneous	23	53,654	-	147	4,233	58,057	7,485	707	-	66,249
Insurance	14,101	33,971	3,205	1,923	6,410	59,610	3,205	1,282	-	64,097
Materials	-	-	-	-	51,031	51,031	-	-	-	51,031
Printing	-	15,925	1,655	32	60	17,672	430	8,256	10,716	37,074
Program and workshops	-	35,117	-	-	-	35,117	-	-	-	35,117
Bank charges	-	177	-	-	-	177	3,626	21,968	-	25,771
Office supplies	911	2,217	-	846	1,991	5,965	11,415	3,875	-	21,255
Advertising and public relations	-	17,863	1,720	-	-	19,583	-	-	-	19,583
Meals	1,342	10,004	-	-	-	11,346	2,032	3,494	-	16,872
Membership dues and subscriptions	1,211	210	-	1,035	-	2,456	9,678	1,378	-	13,512
Cultivation	-	-	-	-	-	-	-	-	14,740	14,740
Travel	1,579	3,878	-	27	-	5,484	2,946	4,153	-	12,583
Office equipment	1,272	2,056	-	329	943	4,600	1,752	3,140	-	9,492
Postage and shipping	247	587	-	2,500	-	3,334	1,404	4,071	-	8,809
Collections	8,580	-	-	-	-	8,580	-	-	-	8,580
Website	-	-	-	-	3,969	3,969	-	-	-	3,969
Conservation	3,419	-	-	-	-	3,419	-	-	-	3,419
	<u>\$ 342,718</u>	<u>\$ 1,336,630</u>	<u>\$ 177,510</u>	<u>\$ 56,068</u>	<u>\$ 688,641</u>	<u>\$ 2,601,567</u>	<u>\$ 517,802</u>	<u>\$ 979,538</u>	<u>\$ 128,477</u>	<u>\$ 4,227,384</u>

See notes to financial statements.

USS CONSTITUTION MUSEUM, INC.

Statements of Cash Flows

	Year Ended March 31,	
	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 383,733	\$ 1,789,999
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-term purposes:		
Loss on uncollectible pledges	-	15,000
Change in operating lease right-of-use assets	45,189	38,454
Net unrealized and realized gains on investments	(496,559)	(1,108,264)
Unrealized gain on trust residuary	-	(389,748)
Depreciation and amortization	123,192	133,351
Annuity liability revaluation adjustment	11,998	11,985
Changes in operating assets and liabilities:		
Accounts receivable	(4,018)	2,531
Grants receivable	77,016	(5,834)
Pledges receivable	86,839	(6,238)
Inventory	(52,867)	18,167
Prepaid expenses	(6,642)	2,794
Trust residuary	962,748	-
Accounts payable	(24,227)	14,193
Accrued expenses	(21,501)	61,269
Refundable advance	332,333	(49,000)
Deferred revenue	74	770
Operating lease liability	(45,189)	(38,454)
Net cash provided by operating activities	<u>1,372,119</u>	<u>490,975</u>
Cash flows from investing activities:		
Purchases of leasehold improvements, exhibits and equipment	(215,799)	(83,401)
Purchases of intangible assets	(4,450)	-
Proceeds from sale of investments	1,514,417	6,017,258
Purchases of investments	(2,346,260)	(5,825,908)
Net cash (used in) provided by investing activities	<u>(1,052,092)</u>	<u>107,949</u>
Cash flows used in financing activities:		
Payments on annuity	(17,069)	(17,069)
Net increase in cash	302,958	581,855
Cash, beginning of year	<u>3,360,031</u>	<u>2,778,176</u>
Cash, end of year	<u><u>\$ 3,662,989</u></u>	<u><u>\$ 3,360,031</u></u>
Supplemental disclosures of noncash activities:		
Purchases of leasehold improvements included in accounts payable	\$ -	\$ (42,341)
Right-of-use asset obtained in exchange for operating lease liability	<u>\$ 41,209</u>	<u>\$ 46,367</u>
Leasehold improvements in process put in service	<u><u>\$ 39,557</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

USS CONSTITUTION MUSEUM, INC.

Notes to Financial Statements March 31, 2025 and 2024

NOTE A - MUSEUM PURPOSE

The USS Constitution Museum, Inc. (the "Museum") serves as the memory and educational voice of USS Constitution ("Constitution"), by engaging all ages in the story of "Old Ironsides" to spark excitement about maritime heritage, naval service, and the American experience.

During the fiscal years ended March 31, 2025 and 2024, the Museum welcomed approximately 321,000 and 300,000 visitors, respectively, to explore the Museum's galleries. Over the past year, the Museum provided opportunities for over 21,000 students to explore the Museum and Constitution through both on-site programs and virtual field trips that reached students across the country unable to visit the Museum and the Old Ironside in Boston. With support from appropriations from the Commonwealth of Massachusetts and the U.S. Department of Education, the Museum was able to offer free facilitated programming and self-guided visits to school students and summer camps in Massachusetts resulting in a 44.6% increase in the number of youths served during the fiscal year. At the beginning of the fiscal year, the Curatorial and Exhibitions departments reimagined and refreshed a section of the first-floor exhibit from a timeline of Constitution's 225-year history into an exhibit highlighting the Ship's "Two Centuries of Service" following the War of 1812. During the fiscal year, the Museum also prototyped two new programs to share the Museum's collection and Constitution's history with the public: "Vault to Vessel" behind-the-scenes tours in the summer and fall and "Sailing Through History" virtual discussions during the winter with the Museum's Public Historian about topics in the Ship's history. In February 2025, the Museum hosted the 45th annual Masters of Miniature Model Show in collaboration with the USS Constitution Model Shipwright Guild that highlighted vessels from the U.S. Navy's 250-year history. The Museum continued to host special programs for both the military community and the public as part of its Salute to Service initiative, partnering with groups such as Blue Star Families, United Service Organizations, Inc., Home Base, and the USS Nantucket Commissioning Committee. Planning continued for a new USS Constitution Museum ("New Museum Project") in a proposed Gateway Center to the Charlestown Navy Yard under development in partnership with the National Parks of Boston and U.S. Navy/USS Constitution. The Museum worked with its board members, architects and exhibit design consultants to develop preliminary exhibit plans for the new museum while planning and launching the quiet phase of a capital campaign with support from its campaign counsel. The Museum received Boston Parents Paper's Family Favorite Award in two categories: "Historic Site and Tours" for the 7th consecutive year and the "Coolest Place to Take a Tour" for the 2nd year in a row. TripAdvisor named the USS Constitution Museum a 2024 "Traveler's Choice" based on visitor reviews that place the Museum among the top 10% of attractions worldwide.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of presentation:

In order to ensure the observance of limitations and restrictions placed on the use of resources available to the Museum, the Museum determines the classification of its net assets and its support and revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets of the Museum and changes therein are classified and reported as follows:

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. These net assets may be used at the discretion of the Museum's management and the Board of Trustees.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature. Those restrictions will be met by actions of the Museum or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Income on these invested endowment funds is utilized in accordance with the donors' stipulations.

USS CONSTITUTION MUSEUM, INC.

Notes to Financial Statements March 31, 2025 and 2024

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[2] Measure of operations:

The Museum's measure of operations includes all operating support and revenues and expenses that are an integral part of its programs and supporting activities, including net assets released from donor restrictions to support operating activities. The measure of operations also includes distributions from the endowment in support of operating expenses as appropriated by the Museum's Board of Trustees (see Note I). The measure of operations excludes net investment return on the endowment that exceeds or is less than the annual distribution appropriated by the Board of Trustees, changes in fair value of other agreements, and contributions with donor restrictions for the New Museum Project. Related expenditures for the New Museum Project are released from net assets with donor restrictions and included as expenses in operations.

[3] Cash:

Cash consists of checking account deposits, cash on hand, and money market accounts.

[4] Fair value measurements:

The Museum values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 - Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to *Level 1* inputs.

Level 2 - Observable inputs other than *Level 1* inputs such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with market data.

Level 3 - Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to *Level 3* inputs.

In determining fair value, the Museum utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

[5] Revenue and support:

Grants, contributions, and appeals consist of unconditional, non-reciprocal support that are recorded as support without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. Grants, contributions and appeals that are classified as support with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the purpose restriction or expiration of the time restriction. Conditional grants, contributions and appeals are recognized as support when performance and/or control barriers are met by the Museum.

Grants and pledges receivable that are expected to be collected within one year are reported at net realizable value. Grants and pledges receivable that are expected to be collected in future years are reported at the net present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the pledges are received. Amortization of the discounts is included in contribution revenue.

USS CONSTITUTION MUSEUM, INC.

Notes to Financial Statements March 31, 2025 and 2024

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Revenue and support: (continued)

Revenue from special events ticket sales is recognized at a point in time when the events occur. Contributions and sponsorships received for the special events are recognized as support when the condition of performance is met by the Museum as the events occur. Related expenses of the special events are presented as costs of direct benefits to donors on the statements of activities and changes in net assets.

Under the terms of certain cost reimbursement agreements with government agencies and nonprofit organizations, government grant revenues are recognized as expenses are incurred. Grants received from competitive grant programs help fund specific projects. As of March 31, 2025 and 2024, approximately \$462,000 and \$304,000, respectively, in government funded grants are available to be drawn down upon once the associated expenses have been incurred.

The Museum receives various types of in-kind support in the form of contributed services and other assets. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of marketable securities and other tangible assets are recognized at fair value when received.

A substantial number of unpaid volunteers make significant contributions of time to work on the Museum's various programs. During the years ended March 31, 2025 and 2024, there were approximately 2,500 and 2,300 unpaid volunteer hours, respectively. The value of this contributed time has not been reflected in these financial statements since it does not meet the criteria for contributed services recognized as described above.

Membership dues represent fees paid by members in exchange for benefits that include free public admission to the Museum, a newsletter, periodic program updates, and discounts to the Museum store and special events. The value of these benefits is deemed to be immaterial by management and therefore, membership dues are recognized as nonexchange transactions and are recognized as support in the year received.

Admission fees represent group reservations and program fees paid for access to the Museum as well as donation box proceeds received from visitors. Admissions fees are on a voluntary donation basis and therefore, are recognized as nonexchange support when received.

The Museum has a contract with a third-party to outsource the operation of the Museum's gift shop. Under this agreement, the Museum receives a percentage of gift shop sales proceeds based on a sliding scale. Revenue earned under this contract is considered one performance obligation which is recognized when the gift shop sales occur. The Museum continues to stock a limited amount of inventory on hand at the Museum, which it sells to the third-party. Sales of inventory are considered one performance obligation and are recognized at the point in time when the performance obligation is satisfied by delivering the merchandise to the gift shop. Museum store revenue represents revenue earned under the above agreement and sales of inventory to the third-party.

Other revenue consists of function rental fees, penny machine revenue and from sources other than those described above. This revenue is recognized at a point in time, when the events associated with the revenue occur.

Net investment return (loss) includes realized and unrealized gains and losses on investments, and dividends and interest net of investment expenses which are recorded as revenue and support of net assets without donor restrictions unless the income and gains and losses are restricted by donor or law. Dividends are recognized when they are declared, and interest are recognized when earned. Realized gains and losses are recorded when the underlying investments are sold. Unrealized gains or losses are recognized based upon changes in the fair value of investments held.

USS CONSTITUTION MUSEUM, INC.

**Notes to Financial Statements
March 31, 2025 and 2024**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Inventory:

Inventory, consisting mainly of copper medallions and souvenir books, is stated at the lower of cost (average cost) or net realizable value.

[7] Museum collections:

The Museum's collections are not reflected on the statements of financial position. Purchased additions to the collections are recorded as expenses at the time acquired. The collection is deemed inexhaustible. The collection is maintained for education and research and furtherance of the Museum's goals rather than financial gain. The collection is protected, kept unencumbered and is subject to an organizational policy that encourages permanent possession. The Museum's collections policy requires that proceeds from the sale of collection items be used for the acquisition or direct care of collection items. Direct care includes, but is not limited to, contract conservation and consultant costs.

[8] Leasehold improvements, exhibits and equipment:

Leasehold improvements, exhibits and equipment are stated at cost, net of accumulated depreciation and amortization. Expenditures for maintenance and repairs are charged to expense when incurred, whereas major additions in excess of \$1,000 are capitalized. Depreciation and amortization are computed over the estimated useful lives of the assets using the straight-line method as follows:

Leasehold improvements	20 years
Exhibits	5 years
Furniture and equipment	5 to 7 years
Library and vault	20 years

Leasehold improvements, library and vault are amortized over their estimated useful lives rather than the term of the Museum's lease and cooperative agreement with the National Park Service ("NPS") as described in (see Note O), in order to recognize the economic substance rather than the legal form of the agreement.

Leasehold improvements in process are comprised of expenditures that are anticipated to have significant future benefits and are stated at cost which includes contractor services and materials. Upon completion, the project cost is reclassified to a fixed asset account and amortized. The cost of exhibits includes expenditures for payroll of staff directly involved with exhibit development, consultants, and design services.

[9] Impairment of long-lived assets:

Long-lived assets, such as leasehold improvements, exhibits and equipment, operating lease right-of-use ("ROU") assets and intangible assets are tested for recoverability whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Museum assesses factors such as significant underperformance of its operations in relation to expectations, significant negative industry or economic trends, and utilization of services, or carrying costs in deciding whether to perform an impairment review. Based on these qualitative factors, the Museum believed an impairment review was not necessary during the years ended March 31, 2025 and 2024.

[10] Intangible assets:

Intangible assets consist of website development costs and virtual educational resources which are being amortized on a straight-line basis over five years.

USS CONSTITUTION MUSEUM, INC.

Notes to Financial Statements
March 31, 2025 and 2024

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[11] Leases:

At inception, the Museum determines whether an arrangement is or contains a lease. ROU assets represent the Museum's right to use leased assets over the term of the lease. Lease liabilities represent the Museum's contractual obligation to make lease payments over the lease term. Operating leases are included in ROU assets and lease liabilities on the statements of financial position. The Museum has no financing leases.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date of each of the respective leases and are measured at the present value of the lease payments over the lease term. The Museum uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Museum uses a U.S. Treasury risk-free rate that is comparable to the lease term at the commencement date of the lease to determine the present value of the lease payments. ROU assets for operating leases are calculated as the present value of the lease payments plus initial direct costs, plus any prepayments less any lease incentives received.

Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised without applying hindsight. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Lease expense is recognized on a straight-line basis over the lease term. The Museum may have lease arrangements with lease and non-lease components, which generally are accounted for separately. The Museum has elected to treat lease and non-lease components as a single lease component. There may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. The Museum's lease agreement for the gift shop includes a rent escalation clause based on changes in the consumer price index ("CPI"). Lease liabilities are not remeasured as a result of changes in the CPI, instead, changes in the CPI are treated as variable lease payments and are excluded from the measurement of the ROU asset and lease liability. These payments are recognized as a component of occupancy expense in the statements of functional expenses in the period in which the obligation for those payments is incurred.

[12] Functional allocation of expenses:

The Museum reports its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are recorded directly according to their natural expenditure classification. The financial statements report certain categories of expenses that are attributed to both program and support services. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include the following:

Expenses	Method of Allocation
Salaries, benefits and payroll taxes	Time and effort
Professional fees	Time and effort
Insurance	Square footage
Depreciation	Asset use
Occupancy	Square footage

USS CONSTITUTION MUSEUM, INC.

Notes to Financial Statements March 31, 2025 and 2024

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[13] Use of estimates and subsequent events:

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Museum's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on September 26, 2025, the date these financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date and through the date of evaluation that meet the criteria required for disclosure or accrual.

[14] Income taxes:

The Museum operates as a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal income taxes on related income. The Museum is also exempt from taxes under Massachusetts General Law Chapter 180.

The Museum is subject to tax on income generated from merchandise sales that are unrelated to its exempt purpose. Unrelated business income tax expense was \$9,200 and \$11,060 for the years ended March 31, 2025 and 2024, respectively.

The Museum is subject to the provisions of Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. The Museum has assessed its tax position taken and has determined that there are no uncertain tax positions that would require recognition of an asset or liability or disclosure as of March 31, 2025.

[15] Recently adopted accounting pronouncement:

On April 1, 2023, the Museum adopted Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses* (Accounting Standards Codification "ASC 326"). ASC 326 changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through changes in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Museum that are subject to the guidance of FASB ASC 326 include accounts receivable. The Museum adopted ASC 326 using the modified retrospective approach. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

[16] Reclassification:

Certain amounts from 2024 have been reclassified on these financial statements in order to conform to 2025 presentation.

USS CONSTITUTION MUSEUM, INC.

Notes to Financial Statements March 31, 2025 and 2024

NOTE C - IN-KIND CONTRIBUTIONS

The Museum received the following contributed nonfinancial assets during the years ended March 31, 2025 and 2024:

	2025	2024	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Pro bono legal services	\$ 217,596	\$ -	Lobbying assistance to connect the New Museum with the federal government for fundraising	No associated donor restrictions	Based on the attorneys' standard chargeable rates
Advertising	52,277	10,400	Marketing for visitor experience (program services)	No associated donor restrictions	Based on current rates for similar advertising services
Consulting	6,000	-	Master plan estimate for consulting services related to Resiliency & Improvements project.	No associated donor restrictions	Based on current rates for similar consulting services
Various entertainment experiences	-	6,450	Auctioned at gala	No associated donor restrictions	Based on retail price that the Museum would otherwise have to pay to acquire similar experiences
Elevator repairs	-	8,140	Repairs for visitor experience (program services)	No associated donor restrictions	Based on current rates for similar repair services
	<u>\$ 275,873</u>	<u>\$ 24,990</u>			

NOTE D - LEASEHOLD IMPROVEMENTS, EXHIBITS AND EQUIPMENT

Leasehold improvements, exhibits and equipment consisted of the following at March 31, 2025 and 2024:

	2025	2024
Leasehold improvements	\$ 2,859,847	\$ 2,668,381
Exhibits	1,062,520	1,062,520
Furniture and equipment	336,314	314,765
Library and vault	1,000,724	1,000,724
Leasehold improvements in process	-	39,557
	<u>5,259,405</u>	<u>5,085,947</u>
Less - accumulated depreciation and amortization	<u>(4,151,348)</u>	<u>(4,045,275)</u>
	<u>\$ 1,108,057</u>	<u>\$ 1,040,672</u>

Depreciation and amortization expense during the years ended March 31, 2025 and 2024 was \$106,073 and \$100,561, respectively. During the year ended March 31, 2025, \$39,557 of leasehold improvements in process were put in service.

USS CONSTITUTION MUSEUM, INC.

Notes to Financial Statements March 31, 2025 and 2024

NOTE E - INTANGIBLE ASSETS

Intangible assets consisted of the following at March 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Website development costs	\$ 88,200	\$ 83,750
Virtual educational resources	<u>84,200</u>	<u>84,200</u>
	172,400	167,950
Less - accumulated amortization	<u>(165,349)</u>	<u>(148,230)</u>
	<u>\$ 7,051</u>	<u>\$ 19,720</u>

Amortization of the intangible assets during the years ended March 31, 2025 and 2024 was \$17,119 and \$32,790, respectively. Amortization of the intangible assets for the years ending March 31 is as follows:

<u>Year Ending March 31,</u>	
2026	\$ 2,580
2027	2,580
2028	890
2029	890
2030	111

NOTE F - ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect on outstanding balances. The Museum maintains an allowance for expected credit losses resulting from the inability of contractors and other customers to make payments. The Museum considers the following factors when determining the collectability of specific receivables: past experience with the contractors and other customers, the aging of the receivable, source of the contractors and other customers' funding and other currently available evidence. If the financial condition of certain contractors or customers were to deteriorate, adversely affecting their ability to make payments, additional allowance for expected credit losses may be required. The Museum provides for estimated uncollectible amounts through a charge to expense and a credit to an expected loss allowance. Balances that remain outstanding after the Museum has used reasonable collection efforts are written off through a charge to the loss allowance and a credit to accounts receivable.

There was no allowance for expected credit losses recorded at March 31, 2025 and 2024, as the balance in accounts receivable was primarily from the contractor operating the Museum's gift shop which carries minimal credit risk.

USS CONSTITUTION MUSEUM, INC.

Notes to Financial Statements March 31, 2025 and 2024

NOTE G - GRANTS AND PLEDGES RECEIVABLE

Grants receivable of \$50,257 and \$127,193 at March 31, 2025 and 2024, respectively, were due within one year and were recorded at their net realizable value.

Pledges receivable at March 31, 2025 and 2024 consisted of the following:

	<u>2025</u>	<u>2024</u>
Receivable due in less than one year	\$ 149,682	\$ 150,460
Receivable in one to five years	<u>85,000</u>	<u>175,500</u>
	234,682	325,960
Less: discount to net present value	<u>(9,283)</u>	<u>(13,722)</u>
	<u>\$ 225,399</u>	<u>\$ 312,238</u>

The present value of estimated future cash flows for pledges received during the years ended March 31, 2025 and 2024 was measured utilizing a discount rate of 3.69% to 4.31%, an estimate of the risk-free rate of return when the pledges were received.

Pledges receivable of \$15,000 were written off during the year ended March 31, 2024, as the Museum determined these amounts to be uncollectible from the donor.

NOTE H - FINANCIAL ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

The following table is a summary of the fair value hierarchy for the Museum's investments measured at fair value on a recurring basis as of March 31, 2025 and 2024:

	<u>2025</u>		<u>2024</u>	
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 132,737	\$ -	\$ 169,019	\$ -
Government bonds	1,044,392	-	886,049	-
Corporate bonds	-	2,585,130	-	1,944,746
Agency bonds	1,344	-	1,608	-
Common stock:				
Financial services	2,763,166	-	2,316,310	-
Industrials	1,301,353	-	1,353,226	-
Information technology	953,413	-	1,024,417	-
Healthcare	227,874	-	243,160	-
Consumer discretionary	35,815	-	28,222	-
Communication services	151,935	-	149,287	-
Consumer staples	35,094	-	70,176	-
Materials	401,952	-	244,482	-
Real estate	161,736	-	103,339	-
Mutual funds/exchanged-traded funds:				
Equity	393,810	-	327,308	-
	<u>\$ 7,604,621</u>	<u>\$ 2,585,130</u>	<u>\$ 6,916,603</u>	<u>\$ 1,944,746</u>

USS CONSTITUTION MUSEUM, INC.

Notes to Financial Statements March 31, 2025 and 2024

NOTE H - FINANCIAL ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS (CONTINUED)

Cash and cash equivalents in the investment account are held for long-term purposes. Cash equivalents consist of money market funds. Government bonds and common stock are valued at the closing price on the active market in which they are traded. Agency bonds are valued at the closing bid price on the last business day of the fiscal year, if actively traded. Corporate bonds are valued using matrix pricing which considers yield or the price of bonds of comparable quality. Investments in mutual and exchange-traded funds are reported at their published net asset values.

NOTE I - AVAILABILITY AND LIQUIDITY

The Museum's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date at March 31, 2025 and 2024, are comprised of the following:

	2025	2024
Cash	\$ 3,662,989	\$ 3,360,031
Accounts receivable	28,899	24,881
Grants receivable	50,177	127,193
Pledges receivable, net	225,399	312,238
Investments	10,189,751	8,861,349
	14,157,215	12,685,692
Less: amounts above not expected to be used within the next year due to management's budget	(673,791)	(734,888)
Less: investments held in endowment or net assets with donor restrictions	(10,189,751)	(8,861,349)
Add: amounts in endowment to be appropriated from spending policy for general expenditures	390,843	339,832
Financial assets available to meet general expenditures, as defined below, within the next year	<u>\$ 3,684,516</u>	<u>\$ 3,429,287</u>

For purposes of analyzing resources available to meet general expenditures within one year, the Museum considers all expenditures related to its ongoing program services, as well as the conduct of services undertaken to support those programs to be general expenditures. Funds received for the New Museum Project that are expected to be spent within one year of the statements of financial position dates are also included in financial assets available to meet general expenditures within the next year. As part of the Museum's liquidity plan, excess cash is invested in money market accounts.

USS CONSTITUTION MUSEUM, INC.

Notes to Financial Statements March 31, 2025 and 2024

NOTE J - ENDOWMENT

The Museum's endowment consists of three funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Museum and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Museum.
- (7) The investment policies of the Museum.

The Museum has adopted investment and spending policies, approved by the Board of Trustees, that attempt to provide a steady stream of funding to programs supported by its endowment while also seeking to maintain the purchasing power of the endowment assets. Investments are managed by an outside investment manager and held by an independent outside custodian under the direction and oversight of the Board of Trustees. The Board of Trustees determines the asset allocation formula and places limitations on the types of investments the managers may purchase. The spending policy provides for annual endowment spending between 4% and 4.5% of the three-year rolling average market value of endowment assets.

The following schedules summarize endowment related activity for the years ended March 31, 2025 and 2024:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance at beginning of year	\$ 549,842	\$ 8,077,492	\$ 8,627,334
Investment return:			
Interest and dividends	-	264,986	264,986
Realized and unrealized gains, net	105,017	465,103	570,120
Investment expenses	-	(35,509)	(35,509)
Total investment return	105,017	694,580	799,597
Addition from trust residuary distribution	-	945,237	945,237
Contributions	-	6,533	6,533
Amounts appropriated for operations pursuant to spending policy	-	(383,266)	(383,266)
Balance at end of year	\$ 654,859	\$ 9,340,576	\$ 9,995,435

USS CONSTITUTION MUSEUM, INC.

Notes to Financial Statements March 31, 2025 and 2024

NOTE J - ENDOWMENT (CONTINUED)

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance at beginning of year	\$ 495,929	\$ 7,251,219	\$ 7,747,148
Investment return:			
Interest and dividends	-	169,924	169,924
Realized and unrealized gains, net	53,913	1,022,571	1,076,484
Investment expenses	-	(38,937)	(38,937)
Total investment return	53,913	1,153,558	1,207,471
Contributions	-	8,000	8,000
Amounts appropriated for operations pursuant to spending policy	-	(335,285)	(335,285)
Balance at end of year	\$ 549,842	\$ 8,077,492	\$ 8,627,334

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at March 31, 2025 and 2024:

	2025	2024
Subject to expenditure for specified purpose:		
Exhibits and curatorial	\$ 9,742	\$ 16,370
Programs and outreach	379,750	285,151
New Museum Project	1,380,332	1,655,005
Trust residuary	-	962,748
Subject to endowment spending policy and appropriation:		
Distributions from trust residuary	945,237	-
Cumulative investment gains	2,349,048	2,037,734
Net assets held in perpetuity	6,046,291	6,039,758
	\$ 11,110,400	\$ 10,996,766

USS CONSTITUTION MUSEUM, INC.

Notes to Financial Statements March 31, 2025 and 2024

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets released from restrictions for the years ended March 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Satisfaction of purpose restrictions:		
Operating activities:		
Exhibits and curatorial	\$ 11,578	\$ 18,709
Program and outreach	<u>106,102</u>	<u>57,365</u>
	117,680	76,074
Nonoperating activities:		
New Museum Project	<u>729,174</u>	<u>831,941</u>
	<u>\$ 846,854</u>	<u>\$ 908,015</u>

NOTE L - PENSION PLAN

The Museum maintains a defined contribution retirement plan for all eligible employees. The Museum's policy is to match up to 2.5% of employee retirement plan contributions. Pension expense for the years ended March 31, 2025 and 2024 was \$32,042 and \$30,309, respectively.

NOTE M - TRUST RESIDUARY

The Museum was the named beneficiary of an irrevocable, charitable remainder trust. The trust agreement called for annual distributions of 100% of the net income to beneficiaries specified by the donor. Upon the death of the last beneficiary, the trustee was to pay the remaining trust property to the Museum. In April 2024, the Museum was notified of the death of the last surviving beneficiary of the trust, making the Museum entitled to the remaining trust property. The fair value of the remaining trust property was \$962,748 at March 31, 2024. A full distribution by the trust to the Museum of \$945,237 was received in August 2024.

A reconciliation of the trust's activity for the years ended March 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Balance at beginning of year	\$ 962,748	\$ 573,000
Change in fair value of the trust property	(17,511)	-
Distribution of the trust property	(945,237)	-
Unrealized gain	<u>-</u>	<u>389,748</u>
Balance at end of year	<u>\$ -</u>	<u>\$ 962,748</u>

Change in fair value of the trust property of \$17,511 for the year ended March 31, 2025 is included in the net investment return on the statement of activities and changes in net assets.

USS CONSTITUTION MUSEUM, INC.

Notes to Financial Statements March 31, 2025 and 2024

NOTE N - CHARITABLE GIFT ANNUITY

The Museum has entered into an irrevocable agreement with a donor whereby, in exchange for the gift from the donor, the Museum is obligated to provide an annuity to the donor or other designated beneficiaries for his or her lifetime. A liability was recognized for the estimated present value of the annuity obligation and the assets were recorded at market value. The difference between the asset and annuity liability was initially recorded as a donor restricted contribution at the date of the gift. During the years ended March 31, 2025 and 2024, management revalued the gift annuity liability through an adjustment of \$11,998 and \$11,985, respectively, which is presented on the statements of activities and changes in net assets. This adjustment was calculated using current actuarial assumptions based on the donor's remaining life expectancy.

NOTE O - BUILDING LEASE

The building which houses the Museum and Gift Shop is owned by the NPS. The Museum's current lease agreement with the NPS, which became effective March 1, 2014, is a component of a larger cooperative management agreement. The agreement, which expired on December 31, 2023 and was extended during the years ended March 31, 2025 and 2024 through December 31, 2025, sets forth the responsibilities that both the Museum and NPS have with regard to the cooperative management and occupancy of the Charlestown Navy Yard. The agreement provides for the Museum to make monthly rental payments of \$3,033 subjected to an annual rent increase at the beginning of each year based on increases in the CPI which was adjusted to monthly payments of \$3,500 during the extended term through December 31, 2025.

The components of lease costs, which are included in occupancy expense on the statements of functional expenses, for the years ended March 31, 2025 and 2024 are as follows:

	2025	2024
Amortization of ROU assets	\$ 45,189	\$ 38,454
Accretion of the lease liabilities	853	668
Variable lease costs (CPI adjustment included)	1,348	7,118
Total lease costs	<u>\$ 47,390</u>	<u>\$ 46,240</u>

Cash paid for amounts included in the measurement of the lease liability for the years ended March 31, 2025 and 2024 was \$46,041 and \$39,144, respectively.

As of March 31, 2025, operating lease liability maturities are as follows:

Year ending March 31, 2026	<u>\$ 31,500</u>
Total undiscounted operating lease payments	31,500
Less: discount to present value	<u>(476)</u>
	<u>\$ 31,024</u>

USS CONSTITUTION MUSEUM, INC.

Notes to Financial Statements March 31, 2025 and 2024

NOTE O - BUILDING LEASE (CONTINUED)

Other information related to the lease at March 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Remaining term of operating gift shop lease	9 months	9 months
Weighted- average discount rate	4.17%	4.79%

NOTE P - CONCENTRATION RISKS

The Museum has a concentration of credit risk in that it maintains deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation. The maximum deposit insurance amount is \$250,000, which is applied per depositor, per insured depository institution for each account ownership category.

Grants and contributions from one donor comprised 18% of total support and revenues for the year ended March 31, 2024. There was no concentration in grants and contributions for the year ended March 31, 2025. Receivables from three sources comprised 54% and 64% of total receivables at March 31, 2025 and 2024, respectively.

NOTE Q - ADVERTISING COSTS

The Museum expenses the cost of advertising in the period the costs are incurred. Advertising expense for the years ended March 31, 2025 and 2024 was \$1,057 and \$585, respectively. These amounts are included in advertising and public relations on the statements of functional expenses.

NOTE R - SPECIAL EVENTS

Special events revenue consisted of the following components for the years ended March 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Special event sponsorships and contributions	\$ 298,907	\$ 306,172
Special event ticket sales	96,128	32,530
	<u>\$ 395,035</u>	<u>\$ 338,702</u>

NOTE S - RELATED PARTY TRANSACTIONS

During the year ended March 31, 2023, the Museum entered into the quiet phase of its capital campaign ("Campaign") for the New Museum Project and such efforts continued into the year ended March 31, 2025. Several members of the Board of Trustees and/or their controlled family foundations contributed to the Campaign during both years, in addition to making contributions for the Museum's ongoing fundraising initiatives. As a result, the total contributions received from Board members and/or their controlled family foundations during the years ended March 31, 2025 and 2024 comprised 3% and 22%, respectively, of total support and revenues. In addition, total pledges receivable from Board members comprised 39% and 51% of total receivables at March 31, 2025 and 2024, respectively.

USS CONSTITUTION MUSEUM, INC.

Notes to Financial Statements March 31, 2025 and 2024

NOTE T - NEW MUSEUM PROJECT

In January 2021, the Museum entered into a Memorandum of Intent ("MOI") with the NPS and Boston National Historic Park (collectively with the Museum, the "Partners") to create a partnership for the design, construction, and operation of an integrated museum and visitor orientation center at the Charlestown Navy Yard (the "Project"). Under the non-binding MOI, the Partners have committed to collaborate on the design and construction of the Project, and to develop mutually agreed upon financial goals for each entity once the plans and cost estimates are further developed. The intent of the MOI is to define the anticipated roles, responsibilities and needs of each entity and to lay the groundwork for subsequent agreements as needed.