

Intrepid Museum Foundation

Financial Statements

December 31, 2021

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, 2021 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, 2021, 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 these 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 the financial statements are available to be issued.

Auditors' Responsibility 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, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

April 27, 2022

Intrepid Museum Foundation

Statement of Financial Position

December 31, 2021

(with comparative amounts at December 31, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 18,091,304	\$ 13,709,051
Pledges receivable, net	5,491,948	871,660
Grants receivable	3,115,363	449,430
Other receivables	701,900	783,003
Prepaid expenses and other assets	437,752	435,246
Investments	16,068,523	12,375,348
Fixed assets, net	41,594,338	44,296,233
Restricted investments	<u>21,773,386</u>	<u>21,766,519</u>
	<u>\$ 107,274,514</u>	<u>\$ 94,686,490</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 2,440,551	\$ 1,606,012
Deferred revenue	1,971,906	2,638,128
Advances payable	4,000,000	10,742
Capital lease obligation	17,661	23,244
Due to federal agency	5,414,878	5,109,017
Loans payable	7,550,000	9,287,450
Notes payable	<u>13,000,000</u>	<u>13,000,000</u>
Total Liabilities	<u>34,394,996</u>	<u>31,674,593</u>
Net Assets		
Without donor restrictions	28,944,746	27,694,890
With Donor Restrictions		
Time restricted for future periods	20,299,235	12,371,860
Purpose restrictions	1,208,283	524,760
Endowment funds	<u>22,427,254</u>	<u>22,420,387</u>
Total Net Assets	<u>72,879,518</u>	<u>63,011,897</u>
	<u>\$ 107,274,514</u>	<u>\$ 94,686,490</u>

See notes to financial statements

Intrepid Museum Foundation

Statement of Activities For the Year Ended December 31, 2021 (with summarized totals for the year ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions		2021 Total	2020 Total
		Program Restrictions	Endowment Funds		
OPERATING SUPPORT AND REVENUE					
Admissions and membership	\$ 5,460,384	\$ -	\$ -	\$ 5,460,384	\$ 3,235,773
Contributions (inclusive of in-kind contributions of \$4,269,413 and \$716,831)	1,466,414	4,944,764	-	6,411,178	2,001,377
Sponsorship income	177,414	-	-	177,414	289,960
Special event revenue (net of costs with direct benefit to donors of \$171,250 and \$0)	1,396,400	-	-	1,396,400	382,048
Grant income	3,681,778	4,645,242	-	8,327,020	1,102,318
Rental income, net of discounts	912,923	-	-	912,923	46,007
Auxiliary activities	1,910,872	-	-	1,910,872	751,835
Investment return designated for operations	-	1,502,013	-	1,502,013	862,982
Spend rate allocation	1,502,013	(1,502,013)	-	-	-
Net assets released from restrictions	4,637,825	(4,637,825)	-	-	-
Total Operating Support and Revenue	21,146,023	4,952,181	-	26,098,204	8,672,300
OPERATING EXPENSES					
Program Expenses					
Education	3,114,051	-	-	3,114,051	3,872,508
Exhibits and museum services	12,978,649	-	-	12,978,649	13,124,051
Intrepid Fallen Heroes and Relief Funds	92,186	-	-	92,186	93,136
Other program costs	819,956	-	-	819,956	922,667
Total Program Expenses	17,004,842	-	-	17,004,842	18,012,362
Supporting Expenses					
Management and general	2,232,913	-	-	2,232,913	2,165,740
Fundraising	1,192,975	-	-	1,192,975	978,276
Total Supporting Services	3,425,888	-	-	3,425,888	3,144,016
Total Operating Expenses	20,430,730	-	-	20,430,730	21,156,378
Excess (Deficit) of Operating Support and Revenue Over Operating Expenses	715,293	4,952,181	-	5,667,474	(12,484,078)
NONOPERATING ACTIVITIES					
Depreciation and amortization	(3,385,768)	-	-	(3,385,768)	(3,880,825)
Contributions and capital grants	327,805	-	6,867	334,672	588,553
Gain on extinguishment of debt	3,573,103	-	-	3,573,103	-
Insurance proceeds from casualty loss	-	-	-	-	329,592
Surplus of investment return in excess of spend rate	19,423	3,658,717	-	3,678,140	2,793,155
Total Nonoperating Activities	534,563	3,658,717	6,867	4,200,147	(169,525)
Change in Net Assets	1,249,856	8,610,898	6,867	9,867,621	(12,653,603)
NET ASSETS					
Beginning of year	27,694,890	12,896,620	22,420,387	63,011,897	75,665,500
End of year	\$ 28,944,746	\$ 21,507,518	\$ 22,427,254	\$ 72,879,518	\$ 63,011,897

See notes to financial statements

Intrepid Museum Foundation

Statement of Functional Expenses For the Year Ended December 31, 2021 (with summarized totals for the year ended December 31, 2020)

	Program Services					Management and General	Fundraising	2021 Total	2020 Total
	Education	Exhibits and Museum Services	Intrepid Fallen Heroes and Relief Funds	Other Program Costs	Total Program Services				
Salaries, wages and other employment costs	\$ 2,459,325	\$ 9,555,825	\$ 8,659	\$ 694,327	\$ 12,718,136	\$ 1,574,259	\$ 919,522	\$ 15,211,917	\$ 15,547,051
Rent	51,498	233,991	1,534	-	287,023	60,110	1,534	348,667	462,000
Repairs and maintenance	9,861	198,853	34,268	397	243,379	11,510	294	255,183	399,710
Utilities and telephone	24,910	854,913	-	3,825	883,648	42,442	17,180	943,270	753,917
Property and casualty insurance	119,524	549,807	24,870	-	694,201	134,671	3,423	832,295	781,099
Contract services and equipment rentals	9,768	263,654	13	1,188	274,623	13,881	3,904	292,408	303,418
Office expense and supplies	46,025	202,489	6,552	7,403	262,469	90,073	23,548	376,090	427,872
Event and program expenses	65,729	141,550	-	28,932	236,211	883	200,062	437,156	405,312
Advertising and marketing expenses	62,986	279,740	-	47,194	389,920	6,816	52,726	449,462	358,942
Professional and consulting fees	87,456	339,991	1,031	18,795	447,273	161,013	85,933	694,219	802,434
Interest expense	72,416	326,496	11,923	30	410,865	86,276	2,207	499,348	406,482
Other operating expenses	104,553	31,340	3,336	17,865	157,094	50,979	53,892	261,965	508,141
Total Expenses Before Depreciation and Amortization	3,114,051	12,978,649	92,186	819,956	17,004,842	2,232,913	1,364,225	20,601,980	21,156,378
Costs with direct benefits to donors	-	-	-	-	-	-	(171,250)	(171,250)	-
Total Expenses Reported by Function on the Statement of Activities	3,114,051	12,978,649	92,186	819,956	17,004,842	2,232,913	1,192,975	20,430,730	21,156,378
Depreciation and amortization	497,533	2,275,447	17,230	-	2,790,210	580,736	14,822	3,385,768	3,880,825
Total Expenses	<u>\$ 3,611,584</u>	<u>\$ 15,254,096</u>	<u>\$ 109,416</u>	<u>\$ 819,956</u>	<u>\$ 19,795,052</u>	<u>\$ 2,813,649</u>	<u>\$ 1,207,797</u>	<u>\$ 23,816,498</u>	<u>\$ 25,037,203</u>
Total Expenses - 2020	<u>\$ 4,443,161</u>	<u>\$ 15,733,909</u>	<u>\$ 110,366</u>	<u>\$ 922,667</u>	<u>\$ 21,210,103</u>	<u>\$ 2,831,824</u>	<u>\$ 995,276</u>	<u>\$ 25,037,203</u>	

See notes to financial statements

Intrepid Museum Foundation

Statement of Cash Flows For the Year Ended December 31, 2021 (with comparative amounts for the year ended December 31, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 9,867,621	\$ (12,653,603)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	3,385,768	3,880,825
Net unrealized gain on investments	(2,153,270)	(2,758,595)
Net realized gain on sale of investments	(2,647,804)	(463,794)
Gain from extinguishment of debt	(3,528,700)	-
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	(4,613,421)	(202,793)
Grants receivable	(2,665,932)	(260,600)
Other receivables	81,103	1,466,158
Prepaid expenses and other assets	(2,506)	(48,869)
Accounts payable and accrued liabilities	834,539	(1,320,500)
Advances payable	3,989,258	10,742
Due to federal agency	305,861	40,761
Deferred revenue	(462,895)	(354,856)
Net Cash from Operating Activities	2,179,427	(12,875,319)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	11,365,725	8,675,222
Purchases of investments	(10,264,693)	(8,030,028)
Acquisition of fixed assets	(683,873)	(540,625)
Net Cash from Investing Activities	417,159	104,569
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	-	9,275,000
Proceeds from loans payable	2,000,000	3,528,700
Repayments on loans payable	(208,750)	(197,500)
Payments on capital lease obligation	(5,583)	(228,596)
Net Cash from Financing Activities	1,785,667	12,377,604
Net Change in Cash	4,382,253	(393,146)
CASH		
Beginning of year	13,709,051	14,102,197
End of year	\$ 18,091,304	\$ 13,709,051
SUPPLEMENTAL CASH FLOW INFORMATION		
Gain from extinguishment of debt	\$ 3,528,700	\$ -
Cash paid during the year for		
Interest	318,144	334,442

See notes to financial statements

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2021

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

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).

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").

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2021

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

Net Asset Presentation (continued)

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 returns on assets in excess of the investment spend rate.

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2021

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 accounts 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.

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, 2021

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, 2021 and 2020. 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, 2021

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, 2021

2. Summary of Significant Accounting Policies (continued)

In-kind Contributions

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, 2021 and 2020, amounted to approximately \$226,000 (8,902 hours of time) and \$129,000 (5,076 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 \$12,000 and \$10,000, for the years ended December 31, 2021 and 2020.

Advertising

Advertising costs are expensed as incurred and amounted to \$289,884 and \$263,520 for the years ended December 31, 2021 and 2020.

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, 2021

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, 2020, 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 2018.

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 April 27, 2022.

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2021

3. Availability and Liquidity

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

	<u>2021</u>	<u>2020</u>
Total financial assets at year end		
Cash	\$ 18,091,304	\$ 13,709,051
Pledges receivable, net	5,491,948	871,660
Grants receivable	3,115,363	449,430
Other receivables	701,900	783,003
Investments	<u>16,068,523</u>	<u>12,375,348</u>
Total Financial Assets	<u>43,469,038</u>	<u>28,188,492</u>
Less amounts not available to be used within one year:		
Cash held for government agency	(5,414,878)	(5,109,017)
Net assets with donor restrictions - purpose and time restrictions	(21,507,518)	(12,896,620)
Net assets with donor restrictions - endowment funds	(22,427,254)	(22,420,387)
Net assets with donor restrictions expected to be met in less than one year	<u>6,151,998</u>	<u>1,855,832</u>
	<u>(43,197,652)</u>	<u>(38,570,192)</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 271,386</u>	<u>\$ (10,381,700)</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 \$5,000,000 remains available at December 31, 2021 to meet cash flow needs. Lastly, the Museum generally operates with a conservative 3% spending rate allocation. For 2021, the Board approved an increase in the spending rate allocation to 5%.

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. The Museum has not experienced any losses on its cash deposits.

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.

A concentration of credit risk exists with respect to pledges receivable since amounts receivable from one source represent 60% and 95% of the total pledges receivable as of December 31, 2021 and 2020.

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2021

5. Pledges Receivable

Pledges receivable are due as follows at December 31, 2021:

2022	\$ 901,802
2023	240,000
2024	240,000
2025	240,000
2026	240,000
Thereafter	<u>5,070,833</u>
	6,932,635
Less: discount for present value	<u>(1,440,687)</u>
	<u>\$ 5,491,948</u>

At December 31, 2021 and 2020, a pledge receivable totaling \$660,735 and \$653,867, net of present value discount, was due from the estate of a deceased Board Trustee and their related entity.

Of the total undiscounted pledges receivable amount, \$750,000 is pledged with donor restrictions that are perpetual in nature for the Museum's endowment fund. The Museum applied discount rates at the time of receipt of pledges ranging from 3.2% to 5.2%, 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 the year ended December 31, 2021, and is included in "Contributions and capital grants" in non-operating activities on the statement of activities. Amortization of the discounts on pledges receivable amounted to \$6,867 for the year ended December 31, 2020.

6. Investments

Investments consist of the following as of December 31:

	2021	
	<u>Cost</u>	<u>Fair Value</u>
Short term investments	\$ 3,749,334	\$ 3,749,334
Common stock	11,073,864	19,002,525
Fixed income	9,798,798	9,869,328
Mutual funds	<u>4,567,961</u>	<u>5,220,722</u>
	<u>\$ 29,189,957</u>	<u>\$ 37,841,909</u>

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2021

6. Investments (continued)

	2020	
	Cost	Fair Value
Short term investments	\$ 1,754,061	\$ 1,754,061
Common stock	11,327,534	17,362,064
Fixed income	9,763,355	10,212,730
Mutual funds	4,804,627	4,813,012
	\$ 27,649,577	\$ 34,141,867

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 5% of the total average value of the investments in 2021 and 2020. The total average value is based on the prior three calendar year fair values, which include 2018, 2019 and 2020 for fiscal 2021, and 2017, 2018 and 2019 for fiscal 2020. The amount approved for operations for the years ended December 31, 2021 and 2020 was \$1,502,013 and \$862,982.

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

	2021	2020
Interest and dividend income	\$ 540,895	\$ 578,986
Net realized gains	2,647,804	463,794
Net unrealized gains	2,153,270	2,758,595
Total Return on Investments	5,341,969	3,801,375
Investment management direct fees	(161,816)	(145,238)
Total Investment Return	\$ 5,180,153	\$ 3,656,137
Approved by board authorization for Museum operations	\$ 1,502,013	\$ 862,982
Surplus of investment return over amounts designated for operations	3,678,140	2,793,155
	\$ 5,180,153	\$ 3,656,137

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2021

7. Fair Value Measurements

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

	2021		
	Level 1	Level 2	Total
Common Stock			
Consumer	\$ 3,787,059	\$ -	\$ 3,787,059
Financials	1,472,678	-	1,472,678
Healthcare	3,223,592	-	3,223,592
Industrials	2,596,803	-	2,596,803
Information technology	5,499,781	-	5,499,781
Real estate	844,516	-	844,516
Telecommunication services	1,578,096	-	1,578,096
Fixed Income			
U.S. Corporate bonds	-	5,155,011	5,155,011
International developed bonds	-	548,484	548,484
U.S. Government-backed securities	4,165,833	-	4,165,833
Mutual funds	5,220,722	-	5,220,722
Total Investments at Fair Value	\$ 28,389,080	\$ 5,703,495	34,092,575
Temporary cash investments at cost			3,749,334
Total Investments			\$ 37,841,909

	2020		
	Level 1	Level 2	Total
Common Stock			
Consumer	\$ 3,656,155	\$ -	\$ 3,656,155
Financials	1,364,316	-	1,364,316
Healthcare	3,028,834	-	3,028,834
Industrials	2,330,117	-	2,330,117
Information technology	4,667,165	-	4,667,165
Real estate	709,628	-	709,628
Telecommunication services	1,605,849	-	1,605,849
Fixed Income			
U.S. Corporate bonds	-	4,588,185	4,588,185
International developed bonds	-	686,342	686,342
U.S. Government-backed securities	4,938,203	-	4,938,203
Mutual funds	4,813,012	-	4,813,012
Total Investments at Fair Value	\$27,113,279	\$ 5,274,527	32,387,806
Temporary cash investments at cost			1,754,061
Total Investments			\$ 34,141,867

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2021

8. Fixed Assets

Fixed assets consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Ship and submarine renovations	\$ 63,960,010	\$ 63,893,825
Exhibits and related infrastructure costs	24,394,241	24,394,241
Leasehold improvements	22,896,819	22,600,799
Furniture, fixtures, equipment and computer software	9,844,600	9,536,257
Work in progress	<u>380,245</u>	<u>366,920</u>
	121,475,915	120,792,042
Less: accumulated depreciation and amortization	<u>(79,881,577)</u>	<u>(76,495,809)</u>
Net Book Value	<u>\$ 41,594,338</u>	<u>\$ 44,296,233</u>

Depreciation and amortization expense totaled \$3,385,768 and \$3,880,825 for the years ended December 31, 2021 and 2020.

9. Capital Lease Obligations

During 2017, the Museum entered into a capital lease agreement for the acquisition of a structure to house its aircraft restoration activities. The lease required 48 monthly payments of principal and interest, imputed at an annual rate of 3.28%. The lease was paid in full during 2020.

During 2020, the Museum entered into a capital lease agreement for the acquisition of cash room equipment. The lease requires 48 monthly payments of principal and interest, imputed at an annual rate of 6.18%. The capital lease asset has a cost of \$32,381 and net book value of \$17,177 at December 31, 2021.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 6,011	\$ 1,108	\$ 7,119
2023	6,472	647	7,119
2024	<u>5,178</u>	<u>162</u>	<u>5,340</u>
	<u>\$ 17,661</u>	<u>\$ 1,917</u>	<u>\$ 19,578</u>

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2021

10. Due to Federal Agency

In September 2015, the Museum received a capital grant payment from a federal agency that exceeded the requested amount by approximately \$5,507,000. These funds are held in an interest-bearing account and are increased by interest earned and decreased by grant related expenses. In accordance with agency instructions, the Museum will reimburse the unused funds upon final project closeout. At December 31, 2021 and 2020, the amount due to the federal agency was \$5,414,878 and \$5,109,017 and includes \$324,114 and \$174,020 of earned interest for the years then ended

11. 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").

The 2012 Term Loan Agreement contained certain covenants governing reporting requirements and restrictions affecting fixed charge coverage ratios, balances in cash and investments and certain operational covenants, all of which have been met by the Museum.

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:

2022	\$ 222,500
2023	233,750
2024	248,750
2025	263,750
2026	4,581,250
	<u>\$ 5,550,000</u>

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2021

11. Loans Payable (*continued*)

Paycheck Protection Program

On May 5, 2020, the Museum received loan proceeds in the amount of \$3,528,700 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest is forgivable provided the Museum uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the "Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries below a certain threshold during the Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the PPP loan, if any, is payable over two years from the date of the loan. Loan payments of principal and interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration ("SBA"). If the Museum does not apply for forgiveness, payments begin approximately 24 months after the loan date. On August 26, 2021, the SBA advised all principal and interest under the loan was forgiven in full and included in the 2021 statement of activities as gain on extinguishment of debt, including interest of \$44,403.

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.

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2021

12. Notes Payable

Line of Credit

The Museum maintains a line of credit in the amount of \$8,000,000, which matures on October 29, 2022. 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 1.35% per annum in excess of the Bloomberg Short Term Bank Yield Index. 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 LIBOR 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.

The balance outstanding under the line of credit at December 31, 2021 and 2020 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 LIBOR, 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 LIBOR loans.

Additionally, the Museum pays a facility fee to the bank in an amount equal to 0.50% 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.

At October 31, 2021, the facility termination date was extended to October 29, 2022, and the Optional Interest fixed rate was reduced to BSBY rate plus 1.35% per annum. As of October 31, 2021, the Unused Commitment Fee for any amount undrawn is reduced from 0.50% to 0.25% per year.

The balance outstanding under the credit facility at December 31, 2021 and 2020 was \$5,000,000.

Total interest expense incurred for the years ended December 31, 2021 and 2020 was \$499,348 and \$406,482, including interest expense for the Museum's line of credit, loan payable and capital lease obligations.

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2021

13. In-kind Contributions

The Museum received in-kind contributions as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Legal services	\$ 189,796	\$ 254,831
Special events	4,975	-
Travel	2,274	-
Rent	4,618,080	462,000
	<u>\$ 4,815,125</u>	<u>\$ 716,831</u>

14. Grant Income

During the years ended December 31, 2021 and 2020, 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.

15. Commitment

Pier Lease: The Museum is committed under an operating lease with the City of New York ("NYC") for Pier 86, dated January 1, 1982. The Hudson River Park Act of 1998 established the Hudson River Park Trust (HRPT) and granted it control over certain NYC-owned real property and improvements within Hudson River Park, including property and improvements located at Pier 86. The possessory interest was subject to the Intrepid lease. The lease expired on December 31, 2014.

HRPT granted an extension of the lease under the same terms of the expired lease as the parties negotiated renewal terms of the lease. As of December 31, 2020 HRPT, and the Museum completed their negotiations. HRPT undertook its required public action and approval process during the first quarter of 2021.

The lease is for a 30-year term, commencing July 27, 2021, 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 a present value discount of \$1,351,420. The net value of \$4,348,580 will be amortized over the life of the lease.

During the years ended December 31, 2021 and 2020, the Museum recognized a contribution in-kind and the related rent expense of \$348,667 and \$462,000, representing the fair value of leasing Pier 86.

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2021

16. 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 for the year ending December 31, 2022 is \$312,500.

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:

2022	\$ 500,000
2023	500,000
2024	500,000
2025	500,000
2026	500,000
	<u>\$ 2,500,000</u>

The Museum received rental income related to such agreements for the years ended December 31, 2021 and 2020 of \$476,501 and \$240,516.

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 agreements terminate in 2021 and 2023.

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2021

16. Lease and Sponsorship Agreements *(continued)*

Sponsorship Agreements: The Museum entered into certain agreements with corporations that provide for exclusive sponsorship rights for the Museum complex in the amount of \$177,414 and \$289,960 for the years ended December 31, 2021 and 2020.

17. Net Assets With Donor Restrictions and Releases from Restrictions

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

	2021	2020
Purpose Restrictions		
Educational programs	\$ 357,236	\$ 293,320
Exhibition programs	274,940	124,940
Public programs	-	6,500
General programs	100,756	100,000
Institutional advancement	475,351	-
	1,208,283	524,760
Timing Restriction		
In-kind rent	4,269,413	-
Earnings on endowment funds	16,029,822	12,371,860
	\$ 21,507,518	\$ 12,896,620

Net assets with donor restrictions as of December 31, 2021 and 2020 also include endowment funds, income from which is available principally for general operations (see note 18).

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:

	2021	2020
Purpose Restrictions Satisfied		
Educational programs	\$ 441,325	\$ 451,099
Exhibition programs	15,000	-
Public programs	31,500	-
General programs	4,000,000	50,000
Salute to Freedom Gala 2020	150,000	50,000
	\$ 4,637,825	\$ 551,099
Timing Restrictions Met	\$ 1,502,013	\$ 862,982

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2021

18. Endowment Fund

Substantially all investments are held as part of the Museum's 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.

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 5% 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, 2021 and 2020 was \$1,502,013 (5%) and \$862,982 (3%).

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2021

18. Endowment Fund *(continued)*

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

	With Donor Restrictions		Total
	Accumulated Earnings	Perpetual in Nature	
Balance, December 31, 2019	\$ 9,569,426	\$ 21,766,519	\$ 31,335,945
Spend rate appropriation	(862,982)	-	(862,982)
Investment return	<u>3,665,416</u>	<u>-</u>	<u>3,665,416</u>
Balance, December 31, 2020	12,371,860	21,766,519	34,138,379
Contributions	-	6,867	6,867
Spend rate appropriation	(1,502,013)	-	(1,502,013)
Investment return	<u>5,159,975</u>	<u>-</u>	<u>5,159,975</u>
Balance, December 31, 2021	<u>\$ 16,029,822</u>	<u>\$ 21,773,386</u>	<u>\$ 37,803,208</u>

19. 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 \$136,627 for the year ended December 31, 2020. There was no discretionary contribution for the year ended December 31, 2021.

20. 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.

Intrepid Museum Foundation

Notes to Financial Statements
December 31, 2021

20. Risk and Uncertainties (*continued*)

COVID-19

On March 13, 2020, the Museum was temporarily closed to the public. This was done in response to guidance provided by state and local governments regarding large public gatherings and as a precautionary measure to limit opportunities for the spread of the COVID-19 virus. While the Museum was not ordered to close by any government agency at that time, it did so voluntarily in order to safeguard the health of its visitors and employees. Other cultural institutions in New York City also voluntarily closed that date. On March 15, 2020 Mayor Bill DiBlasio shut down the New York City public school system. Then on March 20, 2020 Governor Andrew Cuomo ordered the shutdown of all non-essential businesses in the State of New York. The closure significantly impacted the Museum's financial position and operating results in 2020. The Museum reopened to the public on September 23, 2020, but with reduced hours of operation and limited capacity. Due to the capacity limits and significantly reduced attendance, management determined it should close during its lowest attendance period beginning January 4, 2021 and reopening March 25, 2021. The Museum has taken steps to maintain its financial liquidity and flexibility.

21. 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 retainage for each occurrence.

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