

USS Missouri Memorial Association, Inc.

Financial Statements

December 31, 2023 and 2022

Together with Independent Auditor's Report



A Hawaii Limited Liability Partnership

Independent Auditor's Report

To the Board of Directors of
USS Missouri Memorial Association, Inc.:

Opinion

We have audited the financial statements of USS Missouri Memorial Association, Inc. (the Association), which comprise the statements of financial position as of December 31, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2023 and 2022, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

KMH LLP

KMH LLP

Honolulu, Hawaii
May 13, 2024

USS Missouri Memorial Association, Inc.

Statements of Financial Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$ 5,578,194	\$ 3,846,187
Cash, with donor restrictions	53,589	76,768
Accounts Receivable, net of allowance for credit losses of \$5,000 in 2023 and 2022	1,883,484	1,936,204
Prepaid Expenses and Other Assets	372,586	404,302
Custodial Fund	-	11,543
Total current assets	<u>7,887,853</u>	<u>6,275,004</u>
Cash and Investments, board designated for ship preservation	<u>17,987,233</u>	<u>12,141,495</u>
Equipment and Shipboard Improvements, net	<u>22,785,189</u>	<u>24,662,690</u>
Total assets	<u>\$ 48,660,275</u>	<u>\$ 43,079,189</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 1,022,298	\$ 714,141
Accrued expenses	573,654	585,591
Liability for custodial fund	-	11,543
Total current liabilities	<u>1,595,952</u>	<u>1,311,275</u>
Deferred rent	<u>240,495</u>	<u>-</u>
Commitments and Contingencies		
Net Assets:		
Without donor restrictions:		
Undesignated	5,997,817	4,886,961
Cash and investments, board designated for ship preservation	17,987,233	12,141,495
Invested in equipment and shipboard improvements	<u>22,785,189</u>	<u>24,662,690</u>
Total without donor restrictions	46,770,239	41,691,146
With donor restrictions	<u>53,589</u>	<u>76,768</u>
Total net assets	<u>46,823,828</u>	<u>41,767,914</u>
Total liabilities and net assets	<u>\$ 48,660,275</u>	<u>\$ 43,079,189</u>

See accompanying notes to financial statements.

USS Missouri Memorial Association, Inc.

Statements of Activities

For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Changes in Net Assets Without Donor Restrictions:		
Revenue and support:		
Ticket sales	\$ 14,892,985	\$ 13,468,608
Commissions	1,764,817	1,583,377
Special events and other	486,311	651,624
Contributions	208,454	300,044
Education	244,294	172,948
Other income	<u>287,029</u>	<u>267,887</u>
Total revenues without donor restrictions	17,883,890	16,444,488
Net assets released from restrictions	<u>50,287</u>	<u>48,265</u>
Total revenues without donor restrictions and other support	<u>17,934,177</u>	<u>16,492,753</u>
Expenses:		
Program services	13,697,745	11,564,498
Management and general	1,226,194	1,413,403
Fundraising	<u>36,048</u>	<u>29,027</u>
Total expenses	<u>14,959,987</u>	<u>13,006,928</u>
Revenue and support less expenses	2,974,190	3,485,825
Net investment return (loss)	<u>2,104,903</u>	<u>(1,736,539)</u>
Increase in net assets without donor restrictions	<u>5,079,093</u>	<u>1,749,286</u>
Changes in Net Assets with Donor Restrictions:		
Contributions	27,108	79,484
Net assets released from restrictions	<u>(50,287)</u>	<u>(48,265)</u>
(Decrease) increase in net assets with donor restrictions	<u>(23,179)</u>	<u>31,219</u>
Increase in net assets	5,055,914	1,780,505
Net Assets, beginning of year	<u>41,767,914</u>	<u>39,987,409</u>
Net Assets, end of year	<u>\$ 46,823,828</u>	<u>\$ 41,767,914</u>

See accompanying notes to financial statements.

USS Missouri Memorial Association, Inc.

Statements of Functional Expenses

For the Years Ended December 31, 2023 and 2022

	Program Services	Management and General	Fundraising	Total
2023:				
Payroll and related costs	\$ 6,075,334	\$ 814,520	\$ -	\$ 6,889,854
Depreciation	2,468,154	77,751	-	2,545,905
Ticketing and reservations	1,329,302	-	-	1,329,302
Ground transportation	1,101,873	-	-	1,101,873
Rent	907,917	-	-	907,917
Ship operations	642,908	-	-	642,908
Insurance	340,360	16,656	-	357,016
Utilities	311,973	22,370	-	334,343
Marketing	227,034	-	-	227,034
Professional fees	108,471	85,778	-	194,249
Communications	81,225	-	-	81,225
Special events	42,184	-	-	42,184
Safety, health and environmental	35,954	-	-	35,954
Donation expenses	-	-	36,048	36,048
Other	25,056	209,119	-	234,175
	<u>\$ 13,697,745</u>	<u>\$ 1,226,194</u>	<u>\$ 36,048</u>	<u>\$ 14,959,987</u>
2022:				
Payroll and related costs	\$ 4,917,536	\$ 1,130,001	\$ -	\$ 6,047,537
Depreciation	2,460,972	-	-	2,460,972
Ticketing and reservations	1,116,227	-	-	1,116,227
Ground transportation	954,372	-	-	954,372
Ship operations	553,975	-	-	553,975
Rent	780,418	7,214	-	787,632
Insurance	266,942	30,787	-	297,729
Marketing	228,478	-	-	228,478
Professional fees	103,526	67,325	-	170,851
Utilities	100,838	21,262	-	122,100
Special events	44,344	-	-	44,344
Safety, health and environmental	9,796	-	-	9,796
Donation expenses	-	-	29,027	29,027
Other	27,074	156,814	-	183,888
	<u>\$ 11,564,498</u>	<u>\$ 1,413,403</u>	<u>\$ 29,027</u>	<u>\$ 13,006,928</u>

See accompanying notes to financial statements.

USS Missouri Memorial Association, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Increase in net assets	\$ 5,055,914	\$ 1,780,505
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	2,545,905	2,460,972
Net realized and unrealized (gains) losses on investments	(1,532,906)	1,947,209
Changes in certain assets and liabilities:		
Accounts receivable, net	52,720	802,756
Prepaid expenses and other assets	31,716	(135,003)
Accounts payable	308,157	163,995
Deferred rent	240,495	-
Accrued expenses	(11,937)	108,738
Net cash provided by operating activities	<u>6,690,064</u>	<u>7,129,172</u>
Cash Flows from Investing Activities:		
Capital expenditures	(668,404)	(744,369)
Purchases of investments board designated for ship preservation	(10,406,895)	(3,849,381)
Sales of investments board designated for ship preservation	6,094,063	176,366
Net cash used in by investing activities	<u>(4,981,236)</u>	<u>(4,417,384)</u>
Net increase in cash and cash equivalents	1,708,828	2,711,788
Cash and Cash Equivalents, beginning of year	<u>3,922,955</u>	<u>1,211,167</u>
Cash and Cash Equivalents, end of year	<u>\$ 5,631,783</u>	<u>\$ 3,922,955</u>
Reconciliation of Cash and Cash Equivalents:		
Cash and cash equivalents	\$ 5,578,194	\$ 3,846,187
Cash, with donor restrictions	53,589	76,768
Total cash and cash equivalents	<u>\$ 5,631,783</u>	<u>\$ 3,922,955</u>

See accompanying notes to financial statements.

USS Missouri Memorial Association, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

1. Organization and Significant Accounting Policies

a. Organization

The USS Missouri Memorial Association, Inc. (the Association) is a not-for-profit organization incorporated in 1994 to establish, operate and maintain the USS Missouri (the Battleship) as a national memorial commemorating the end of hostilities in World War II. The Association began significant operating activities and opened the Battleship to visitors on January 29, 1999.

b. Basis of Presentation

The Association maintains its accounting records and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (US GAAP). In accordance with US GAAP, the Association reports information regarding its financial position and activities according to 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 Association. These net assets may be used at the discretion of the Association's management and the board of directors.

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 Association or by the passage of time.

Donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

c. Management Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

USS Missouri Memorial Association, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

1. Organization and Significant Accounting Policies (continued)

d. Cash and Cash Equivalents

The Association maintains its cash and cash equivalents in commercial banks. At December 31, 2023, the Association had approximately \$5,370,000 in excess of federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents. Cash and cash equivalents included in investments have been designated by the Board of Directors (the Board), and are not considered cash equivalents for purposes of the statements of financial position and cash flows.

e. Investments

The Association's investments are stated at fair value. Fair value is 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 (see Note 5 for discussion of fair value measurements).

f. Accounts Receivable

Accounts receivable are primarily generated by wholesale tour and travel companies operating in Hawaii and are stated at the amounts billed, net of an allowance for credit losses. The Association establishes an allowance for credit losses by evaluating the estimated expected credit losses for individual customer receivables as of the end of the reporting period by considering the customer's financial condition, credit history and current economic conditions and reasonable and supportable forecasts. Prior to the adoption of Accounting Standards Update (ASU) 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurements of Credit Losses on Financial Instruments, the Association determined an allowance for doubtful accounts based on an assessment of economic conditions and evaluation of subsequent collections. The Association performs ongoing credit evaluations of these wholesalers' financial condition and may require collateral from the wholesalers, if deemed necessary.

g. Equipment and Shipboard Improvements

Equipment and shipboard improvements are presented at cost if purchased, or estimated fair value if contributed, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the Association's assets as follows:

Shipboard improvements	7 – 25 years
Equipment and fixtures	5 – 7 years

USS Missouri Memorial Association, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

1. Organization and Significant Accounting Policies (continued)

g. Equipment and Shipboard Improvements (continued)

The carrying values of equipment and shipboard improvements are reviewed when circumstances indicate that the carrying amounts may not be recoverable. If the expected future cash flows generated from equipment and shipboard improvements are less than the related carrying value, the carrying value of these assets would be reduced to estimated fair value.

h. Revenue Recognition

The Association recognizes revenue in accordance with Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Association recognizes revenues from ticket sales at the time of admission, which is when the performance obligation is satisfied. Commissions from concessionaires, special events and other revenues are recognized when they are realized or realizable and earned.

i. Contributions and Promises to Give

Contributions are recognized when received or when the donor makes an unconditional promise to give to the Association. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction is fulfilled or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

The Association has unpaid volunteers who assist in performing administrative and maintenance duties and conducting tours. The value of this contributed time does not meet the criteria for financial statement recognition provided by US GAAP and, accordingly, is not reflected in the accompanying financial statements.

USS Missouri Memorial Association, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

1. Organization and Significant Accounting Policies (continued)

j. In-Kind Contributions

In-kind contributions, including depreciable assets, are reflected as contributions without donor restrictions at their estimated fair values when received by the Association. The Battleship and certain other exhibits were donated by the U.S. Navy and others. The fair values of these contributed exhibits have not been recognized in the accompanying financial statements as their values are not readily determinable. Costs related to placing these exhibits into service are recognized when incurred as a decrease in net assets without donor restrictions.

k. Board Designated Net Assets

Board designated net assets consist of amounts expended on ship equipment and improvements and amounts that have been designated by the Board for ship preservation purposes and other strategic initiatives. The Board can re-designate these net assets at its discretion.

l. Income Taxes

The Association is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), whereby only unrelated business income, as defined by Section 512(a)(1) is subject to federal income tax. The Association is also exempt under Hawaii Revised Statutes on income related to its exempt purpose. No unrelated business income taxes were incurred during 2023 or 2022.

Management has evaluated the Association's tax positions and concluded that the Association has maintained its tax exempt status and has no uncertain tax positions that require recognition or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Interest and penalties, if any, are recognized in management and general expense.

m. Custodial Fund

The Association was the custodian of funds which were received from unrelated organizations and individuals to be used for costs associated with the 75th Anniversary of the end of World War II, which is more fully described in Note 11.

USS Missouri Memorial Association, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

1. Organization and Significant Accounting Policies (continued)

n. Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which creates a new credit impairment standard for financial assets measured at amortized cost. The ASU requires financial assets measured at amortized cost (including loans and trade receivables) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The adoption of ASU 2016-13 did not have a significant impact on the Association’s financial statements.

o. Subsequent Events

The Association has evaluated subsequent events through May 13, 2024, the date on which the financial statements were issued, and it was determined that all subsequent events had been properly accounted for.

2. Board Designated Cash and Investments

Cash and investments board designated for ship preservation are carried at fair value at December 31, 2023 and 2022 as follows:

At December 31, 2023	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Money market funds	\$ 729,530	\$ -	\$ -	\$ 729,530
Mutual funds - fixed income	1,252,966	21,896	(26,116)	1,248,746
Mutual funds - equity	7,932,671	1,929,473	(7,973)	9,854,171
US Treasury bills	95,432	2,651	-	98,083
US Treasury obligations	2,386,872	14,158	(19,851)	2,381,179
Corporate bonds	2,968,142	58,314	-	3,026,456
US government agencies	649,940	542	(1,414)	649,068
Total Investments, at fair value	<u>\$ 16,015,553</u>	<u>\$ 2,027,034</u>	<u>\$ (55,354)</u>	<u>\$ 17,987,233</u>

USS Missouri Memorial Association, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

2. Board Designated Cash and Investments (continued)

At December 31, 2022	<u>Cost</u>	<u>Gross Unrealized Holding Gains</u>	<u>Gross Unrealized Holding Losses</u>	<u>Fair Value</u>
Money market funds	\$ 334,631	\$ -	\$ -	\$ 334,631
Mutual funds - fixed income	5,815,654	-	(692,578)	5,123,076
Mutual funds - equity	<u>6,103,453</u>	<u>700,494</u>	<u>(120,159)</u>	<u>6,683,788</u>
Total Investments, at fair value	<u>\$ 12,253,738</u>	<u>\$ 700,494</u>	<u>\$ (812,737)</u>	<u>\$ 12,141,495</u>

Net investment returns (loss) for 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Net realized/unrealized gain (loss)	\$ 1,532,906	\$ (1,947,209)
Dividend and interest income	637,609	262,570
Investment fees	<u>(65,612)</u>	<u>(51,900)</u>
Net investment return (loss)	<u>\$ 2,104,903</u>	<u>\$ (1,736,539)</u>

3. Equipment and Shipboard Improvements

Equipment and shipboard improvements at December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Shipboard improvements	\$ 32,641,175	\$ 32,029,004
Equipment and fixtures	<u>13,918,104</u>	<u>14,731,870</u>
	46,559,279	46,760,874
Accumulated depreciation	<u>(24,721,344)</u>	<u>(23,017,829)</u>
	21,837,935	23,743,045
Construction in progress	<u>947,254</u>	<u>919,645</u>
Equipment and Shipboard Improvements, net	<u>\$ 22,785,189</u>	<u>\$ 24,662,690</u>

USS Missouri Memorial Association, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

3. Equipment and Shipboard Improvements (continued)

Construction in progress primarily consists of teak deck replacement and a life safety project. As of December 31, 2023, the Association did not have any contract commitments related to the construction in progress balance.

4. Line of Credit

In August 2018, the Association entered into a credit agreement with a bank amounting to \$5 million. In August 2020, the Association increased its credit agreement to \$7 million and in December 2020, the Association increased its credit agreement to \$9 million. In November 2021, the credit agreement was decreased to \$5 million. Draws on the credit agreement are secured by certain cash, cash equivalents and investments held by the Association, require monthly interest-only payments, and bear interest at the Association's choice of the prevailing market rate, as defined, or selected Secured Overnight Financing Rate plus applicable margins, as defined, with an expiration date of August 5, 2024. As of December 31, 2023 and 2022, the Association did not have any outstanding borrowings under the credit agreement.

The credit agreement contains customary conditions and events of default, the failure to comply with, or occurrence of, would give the lender the right to demand repayment of any outstanding borrowings or terminate the credit agreement.

5. Fair Value Measurements

US GAAP establishes a framework for measuring fair value that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that management has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or can be corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

USS Missouri Memorial Association, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

5. Fair Value Measurements (continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2023 and 2022

Mutual funds and money market funds – valued based on quoted market prices of each fund, which represents the net asset value of shares held by the Association at the reporting date on a recurring basis

US Treasury bills, US Treasury obligations, corporate bonds and US Government agencies – valued at quoted market prices for identical assets in active markets when quoted prices are available. If quoted market prices are not available, the fair value is determined using a market approach valuation technique that considers, among other things, credit information, observed market movements and sector news.

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

USS Missouri Memorial Association, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

5. Fair Value Measurements (continued)

The following tables set forth the Association's investments that are measured at fair value on a recurring basis:

	Fair Value Measurements at Reporting Date Using			Total
	Level 1	Level 2	Level 3	
As of December 31, 2023				
Money market funds	\$ 729,530	\$ -	\$ -	\$ 729,530
Mutual funds - fixed income	1,248,746	-	-	1,248,746
Mutual funds - equity	9,854,171	-	-	9,854,171
US Treasury bills	98,083	-	-	98,083
US Treasury obligations	2,381,179	-	-	2,381,179
Corporate bonds	2,909,143	117,313	-	3,026,456
US government agencies	-	649,068	-	649,068
	<u>\$ 17,220,852</u>	<u>\$ 766,381</u>	<u>\$ -</u>	<u>\$ 17,987,233</u>
As of December 31, 2022				
Money market funds	\$ 334,631	\$ -	\$ -	\$ 334,631
Mutual funds - fixed income	5,123,076	-	-	5,123,076
Mutual funds - equity	6,683,788	-	-	6,683,788
	<u>\$ 12,141,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,141,495</u>

6. Net Assets

a. Without Donor Restriction

Net assets without donor restrictions include undesignated net assets as well as those designated for specific purposes by the Association's Board of Directors. The Board of Directors has designated approximately \$17.9 million and \$12.1 million as of December 31, 2023 and 2022, respectively, in the Ship Preservation Fund, for the purpose of funding future preservation and major restoration projects for the Battleship.

USS Missouri Memorial Association, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

6. Net Assets (continued)

a. Without Donor Restriction (continued)

The Association has accumulated funds for the purpose of conducting a dry docking of the ship in or near the year 2030. The last time the ship was dry docked was in 2010 for a cost of \$12.5 million. It was previously estimated that the next dry docking will cost between \$25 and \$30 million. However, the Association is exploring various alternatives which will address the engineering needs to repair and repaint the underwater portion of the hull and, if necessary, repair cofferdams which will not require dry docking and could cost substantially less.

b. With Donor Restrictions

Net assets with donor restrictions at December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Cash restricted for the following:		
Educational purposes	\$ 32,614	\$ 55,994
Shipboard improvements and displays	<u>20,975</u>	<u>20,774</u>
Net assets with donor restrictions	<u><u>\$ 53,589</u></u>	<u><u>\$ 76,768</u></u>

Net assets with donor restrictions released from restrictions during the years ended December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Restrictions satisfied by expenditures for:		
Educational purposes	\$ 36,650	\$ 12,086
Shipboard improvements and displays	<u>13,637</u>	<u>36,179</u>
Net assets with donor restrictions released from restrictions	<u><u>\$ 50,287</u></u>	<u><u>\$ 48,265</u></u>

USS Missouri Memorial Association, Inc.

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7. Employee Benefit Plan

Substantially all full-time and part-time employees of the Association are eligible to participate in the Association's 401(k) retirement savings plan. The plan provides for discretionary employee and employer contributions up to defined limits. For the years ended December 31, 2023 and 2022, the Association made employer contributions of approximately \$176,000 and nil, respectively. Effective January 1, 2020, the Plan was amended to allow employees to contribute up to \$23,000 (or \$30,500, if the employee is over the age of 50), and allow discretionary employer matching up to 4 percent.

8. Commitments and Contingencies

a. Operating Agreements

The Association has an agreement with a company to provide ground transportation for visitors to the Battleship through 2027. Ground transportation fees, based upon fixed hourly rates, were approximately \$1,102,000 in 2023 and \$954,000 in 2022 and are included in Program Services in the accompanying Statements of Activities.

The Association entered into an agreement with a company effective January 2019 to provide ticketing services for a term of 5 years. In August 2023, the agreement was amended to extend an additional 5 years beginning January 1, 2024 and expiring on December 31, 2028. Ticketing and reservation expense include reimbursements for operating costs and a management fee that consists of: (a) three percent of gross receipts derived from onsite and online ticketing services, and (b) one percent of gross receipts derived from tour groups and online travel agency sales. Effective January 1, 2024, fees increase to (a) four percent of gross receipts derived from onsite and online ticketing services, and (b) two percent of gross receipts derived from tour groups and online travel agency sales. The Association implemented a seven percent ticketing service fee charge for onsite and online ticket purchases to help offset the additional ticketing and reservation fees. Ticketing and reservation expense was approximately \$1,329,000 in 2023 and \$1,116,000 in 2022 and are included in Program Services in the accompanying Statements of Activities.

b. Litigation

In the normal course of conducting its activities, the Association may be subject to various claims and litigation. Management believes that the resolution of these matters will not have a material adverse effect on the Association's financial position, results of operations or cash flows.

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9. Leases

As Lessor

The Association acts as lessor in leasing space to merchandise, food and beverage and photo concessionaires under the terms of certain operating leases. The leases provide for minimum or percentage rents based on visitor counts or gross revenues, as defined in the agreements, ending at various dates through June 30, 2027. Percentage rents from these leases are reported as commission income on the accompanying Statements of Activities for the years ended December 31, 2023 and 2022 and amounted to approximately \$1,765,000 and \$1,583,000, respectively.

As Lessee

In March 2017, the Association signed a 25-year lease with the U.S. Navy which is effective January 1, 2017 through December 31, 2041. The lease requires the Association to pay percentage rent equal to six percent of the Association's ticket sales revenue, as defined in the lease agreement. In accordance with the lease agreement, the Association is required to pay estimated rent of \$35,000 per month. Estimated rents paid are trued up on an annual basis to equal an annual rent of six percent of the Association's ticket sales revenue. Total rent expense recognized for the years ended December 31, 2023 and 2022 was approximately \$908,000 and \$780,000, respectively. Under the provisions of ASC Topic 842, *Leases*, variable lease payments that vary after the commencement date for reasons other than a change in an index or rate are not included in the lease payments used for classification or measurement purposes. As a result, management has determined that the terms of the lease do not have lease payments that give rise to recognition of a lease liability or right of use asset.

In May 2023, in relation to the 2022 percentage annual rent, the Association received a lease incentive from the U.S. Navy whereby the cost of paving a parking lot of approximately \$254,000 was reduced from 2022 percentage annual rent. As a result, the Association recorded a deferred lease credit and is amortizing the amount over the remaining term of the lease as a reduction to rent expense.

The Association also receives credit towards the rent payments due for in-kind services provided by the Association to the U.S. Government. These credits totaled approximately \$313,000 and \$343,000 and are reported as special events revenue for the years ended December 31, 2023 and 2022, respectively.

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10. Liquidity and Availability

The following reflects the Association's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general use within one year because of board designations or donor-imposed restrictions.

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 5,578,194	\$ 3,846,187
Cash, with donor restrictions	53,589	76,768
Accounts receivable, net	1,883,484	1,936,204
Cash and investments	<u>17,987,233</u>	<u>12,141,495</u>
Financial assets, at year end	25,502,500	18,000,654
Less those unavailable for general expenditure within one year, due to:		
Board designated for ship preservation	(17,987,233)	(12,141,495)
Donor restricted	<u>(53,589)</u>	<u>(76,768)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,461,678</u>	<u>\$ 5,782,391</u>

The Association structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Association's board designated assets are designated for the purchase of equipment and shipboard improvements, for ship preservation and the line of credit. These assets are limited in use, which are more fully described in Note 2 and are not available for general expenditure within the next year. However, the board designated amounts of \$17,987,233 and \$12,141,495 as of December 31, 2023 and 2022, respectively, could be made available, if necessary.

As part of the Association's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds.

Additionally, the Association maintains a line of credit, as discussed in more detail in Note 4. As of December 31, 2023 and 2022, \$5 million remained available on the Association's line of credit.

USS Missouri Memorial Association, Inc.

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11. Custodial Funds - 75th WWII Commemoration

Effective September 1, 2019, the Association and the 75th WWII Commemoration Committee Hawaii (the Committee), solicited donors and contributions for the Commemoration of the 75th Anniversary of the end of World War II (the WWII Commemoration). The activities, programs and events associated with the WWII Commemoration were the responsibility of the Committee. The Association was responsible to collect all donations and contributions related to the WWII Commemoration and to disburse approved expenditures. The Association recorded these funds as a custodial fund with a corresponding credit to a liability in the accompanying financial statements.

The remaining funds of \$11,543 at December 31, 2022 were held for any remaining expenses related to the 75th WWI Commemoration and were liquidated during 2023.