

NATIONAL WWI MUSEUM AND MEMORIAL

AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

NATIONAL WWI MUSEUM AND MEMORIAL

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
National WWI Museum and Memorial

Opinion

We have audited the accompanying financial statements of National WWI Museum and Memorial (a not-for-profit corporation) (the Museum) which comprise the statements of financial position as of December 31, 2023 and 2022, and 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 financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of December 31, 2023 and 2022, and the results of its operations 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Museum and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our 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 Museum's ability to continue as a going concern within one year after the date that the financial statements are 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 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.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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.

The logo for UHY LLP is written in a stylized, cursive script. The letters 'UHY' are larger and more prominent, with 'LLP' following in a smaller, similar font.

Kansas City, Missouri
August 15, 2024

**NATIONAL WWI MUSEUM AND MEMORIAL
STATEMENTS OF FINANCIAL POSITION**

	December 31,	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 14,625,243	\$ 13,796,655
Grants and accounts receivable	1,476,276	1,022,649
Unconditional promises-to-give	2,479,044	1,991,332
Investments	9,653,390	6,623,009
Prepaid expenses	97,883	220,925
Inventory	180,222	189,812
Property and equipment	17,115,573	12,231,427
Operating right-of-use asset	37,451	47,513
Total assets	<u>\$ 45,665,082</u>	<u>\$ 36,123,322</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 397,614	\$ 877,410
Accrued expenses	231,085	233,272
Contract liabilities	316,268	247,345
Operating lease liability	37,451	47,513
	<u>982,418</u>	<u>1,405,540</u>
Net assets		
Without donor restrictions		
Undesignated - general operating	21,931,603	16,477,864
Board designated	1,104,211	957,794
	23,035,814	17,435,658
With donor restrictions	21,646,850	17,282,124
	<u>44,682,664</u>	<u>34,717,782</u>
Total liabilities and net assets	<u>\$ 45,665,082</u>	<u>\$ 36,123,322</u>

NATIONAL WWI MUSEUM AND MEMORIAL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 474,049	\$ 8,421,459	\$ 8,895,508
Governmental grants	969,422	3,409,847	4,379,269
Memberships	153,450	-	153,450
	<u>1,596,921</u>	<u>11,831,306</u>	<u>13,428,227</u>
Special events			
Revenues	97,344	-	97,344
Contributions	689,211	-	689,211
Less: direct expenses	(234,538)	-	(234,538)
	<u>552,017</u>	<u>-</u>	<u>552,017</u>
Total public support	2,148,938	11,831,306	13,980,244
Admissions, facility use and other	3,580,686	-	3,580,686
Management fees	624,419	-	624,419
Merchandise and café sales, less cost of goods sold of \$358,816	366,854	-	366,854
Program fees	120,633	-	120,633
Net investment return	176,505	1,276,832	1,453,337
Total revenues	<u>7,018,035</u>	<u>13,108,138</u>	<u>20,126,173</u>
Net assets released from restrictions	8,743,412	(8,743,412)	-
	<u>15,761,447</u>	<u>4,364,726</u>	<u>20,126,173</u>
EXPENSES			
Program services			
Museum operations	5,207,639	-	5,207,639
Collections management and research	1,409,782	-	1,409,782
Public programs	1,370,908	-	1,370,908
Total program services	<u>7,988,329</u>	<u>-</u>	<u>7,988,329</u>
Supporting services			
Management and general	1,310,956	-	1,310,956
Fundraising and development	782,136	-	782,136
Total supporting services	<u>2,093,092</u>	<u>-</u>	<u>2,093,092</u>
Total expenses	<u>10,081,421</u>	<u>-</u>	<u>10,081,421</u>
CHANGE IN NET ASSETS BEFORE COLLECTION PURCHASES	5,680,026	4,364,726	10,044,752
COLLECTION PURCHASES	(79,870)	-	(79,870)
CHANGE IN NET ASSETS	5,600,156	4,364,726	9,964,882
NET ASSETS, Beginning of year	17,435,658	17,282,124	34,717,782
NET ASSETS, End of year	<u>\$ 23,035,814</u>	<u>\$ 21,646,850</u>	<u>\$ 44,682,664</u>

See notes to financial statements

NATIONAL WWI MUSEUM AND MEMORIAL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 544,843	\$ 4,091,884	\$ 4,636,727
Governmental grants	500,600	-	500,600
Memberships	170,983	-	170,983
	<u>1,216,426</u>	<u>4,091,884</u>	<u>5,308,310</u>
Special events			
Revenues	84,373	-	84,373
Contributions	485,409	-	485,409
Less: direct expenses	<u>(343,906)</u>	<u>-</u>	<u>(343,906)</u>
	<u>225,876</u>	<u>-</u>	<u>225,876</u>
Total public support	1,442,302	4,091,884	5,534,186
Admissions, facility use and other	3,045,576	-	3,045,576
Management fees	757,769	-	757,769
Merchandise and café sales, less cost of goods sold of \$330,317	373,248	-	373,248
Museum program income	176,630	-	176,630
Net investment return	<u>(173,499)</u>	<u>(718,279)</u>	<u>(891,778)</u>
Total revenues	5,622,026	3,373,605	8,995,631
Net assets released from restrictions	<u>5,787,534</u>	<u>(5,787,534)</u>	<u>-</u>
	<u>11,409,560</u>	<u>(2,413,929)</u>	<u>8,995,631</u>
EXPENSES			
Program services			
Museum operations	5,392,646	-	5,392,646
Collections management and research	1,270,870	-	1,270,870
Public programs	1,120,330	-	1,120,330
Total program services	<u>7,783,846</u>	<u>-</u>	<u>7,783,846</u>
Supporting services			
Management and general	954,668	-	954,668
Fundraising and development	660,282	-	660,282
Total supporting services	<u>1,614,950</u>	<u>-</u>	<u>1,614,950</u>
Total expenses	<u>9,398,796</u>	<u>-</u>	<u>9,398,796</u>
CHANGE IN NET ASSETS BEFORE COLLECTION PURCHASES	2,010,764	(2,413,929)	(403,165)
COLLECTION PURCHASES	<u>(13,240)</u>	<u>-</u>	<u>(13,240)</u>
CHANGE IN NET ASSETS	1,997,524	(2,413,929)	(416,405)
NET ASSETS, Beginning of year	<u>15,438,134</u>	<u>19,696,053</u>	<u>35,134,187</u>
NET ASSETS, End of year	<u>\$ 17,435,658</u>	<u>\$ 17,282,124</u>	<u>\$ 34,717,782</u>

NATIONAL WWI MUSEUM AND MEMORIAL

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

	Program Services			Supporting Activities			Total	
	Museum Operations	Collections Management and Research	Public Programs	Total Program Services	Management and General	Fundraising and Development		Total Supporting Activities
Salaries	\$ 1,427,950	\$ 733,139	\$ 465,398	\$ 2,626,487	\$ 544,272	\$ 425,968	\$ 970,240	\$ 3,596,727
Employment health and retirement benefits	267,244	106,346	71,854	445,444	118,464	46,792	165,256	610,700
Payroll taxes	106,520	52,632	33,644	192,796	33,636	30,919	64,555	257,351
Total salaries and related expenses	1,801,714	892,117	570,896	3,264,727	696,372	503,679	1,200,051	4,464,778
Bank charges	110,586	2	-	110,588	7,366	4,131	11,497	122,085
Contract services	563,349	513	256,641	820,503	389,027	3,637	392,664	1,213,167
Curatorial, research and exhibition	-	381,132	-	381,132	-	-	-	381,132
Depreciation	750,198	-	-	750,198	-	-	-	750,198
Dues and subscriptions	3,632	1,006	2,267	6,905	5,640	2,229	7,869	14,774
Educational expenses	200	1,716	440,350	442,266	-	-	-	442,266
Equipment leases	3,975	345	691	5,011	14,604	1,590	16,194	21,205
Fundraising	2,725	-	75	2,800	11	403,093	403,104	405,904
Insurance	97,257	11,166	26,976	135,399	14,655	6,250	20,905	156,304
Licenses, software and fees	48,846	13,351	1,872	64,069	8,850	12,192	21,042	85,111
Marketing	124,685	64,622	32,363	221,670	-	10,000	10,000	231,670
Meals and entertainment	10,294	-	-	10,294	-	-	-	10,294
Meeting expenses	5,379	1,567	2,707	9,653	8,384	2,119	10,503	20,156
Office and store supplies	56,818	3,505	1,957	62,280	6,547	2,415	8,962	71,242
Postage	7,568	752	841	9,161	578	12,904	13,482	22,643
Payroll processing fees	6,839	1,658	291	8,788	1,833	286	2,119	10,907
Personnel expenses	4,554	1,234	2,102	7,890	4,767	991	5,758	13,648
Printing	80,257	8,007	17,522	105,786	577	18,351	18,928	124,714
Professional fees	9,178	-	-	9,178	62,320	225	62,545	71,723
Repairs and maintenance	768,830	967	-	769,797	16	(5)	11	769,808
Technology	229,252	11,759	3,242	244,253	6,634	26,364	32,998	277,251
Telephone	17,327	70	3,017	20,414	5,060	1,425	6,485	26,899
Travel	4,832	14,293	7,073	26,198	18,542	3,001	21,543	47,741
Uniforms and other	33,873	-	25	33,898	28	1,797	1,825	35,723
Utilities	465,471	-	-	465,471	59,145	-	59,145	524,616
Total expenses	5,207,639	1,409,782	1,370,908	7,988,329	1,310,956	1,016,674	2,327,630	10,315,959
Less expenses included with revenues on the statement of activities								
Special events	-	-	-	-	-	(234,538)	(234,538)	(234,538)
	\$ 5,207,639	\$ 1,409,782	\$ 1,370,908	\$ 7,988,329	\$ 1,310,956	\$ 782,136	\$ 2,093,092	\$ 10,081,421

NATIONAL WWI MUSEUM AND MEMORIAL

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

	Program Services			Supporting Activities			Total	
	Museum Operations	Collections Management and Research	Public Programs	Total Program Services	Management and General	Fundraising and Development		Total Supporting Activities
Salaries	\$ 1,289,564	\$ 672,224	\$ 473,507	\$ 2,435,295	\$ 473,805	\$ 343,629	\$ 817,434	\$ 3,252,729
Employment health and retirement benefits	274,408	107,994	87,402	469,804	96,134	46,074	142,208	612,012
Payroll taxes	102,888	46,687	34,388	183,963	27,106	23,484	50,590	234,553
Total salaries and related expenses	1,666,860	826,905	595,297	3,089,062	597,045	413,187	1,010,232	4,099,294
Bank charges	98,717	-	-	98,717	28,979	4	28,983	127,700
Contract services	494,599	-	78,452	573,051	20,000	18,741	38,741	611,792
Curatorial, research and exhibition	-	272,437	-	272,437	-	-	-	272,437
Depreciation	693,604	-	-	693,604	-	-	-	693,604
Dues and subscriptions	1,239	599	534	2,372	9,306	3,730	13,036	15,408
Educational expenses	2,579	1,662	379,603	383,844	-	20	20	383,864
Equipment leases	3,604	345	4,536	8,485	12,890	857	13,747	22,232
Fundraising	26,687	-	188	26,875	-	379,777	379,777	406,652
Insurance	93,039	11,768	8,102	112,909	10,113	5,570	15,683	128,592
Licenses, software and fees	46,772	16,566	3,950	67,288	13,873	13,720	27,593	94,881
Marketing	100,162	51,208	15,591	166,961	-	1,420	1,420	168,381
Meals and entertainment	10,823	-	-	10,823	-	-	-	10,823
Meeting expenses	2,682	3,018	1,192	6,892	5,189	357	5,546	12,438
Office and store supplies	51,751	12,522	2,254	66,527	4,769	4,249	9,018	75,545
Postage	2,555	9	11	2,575	204	10,524	10,728	13,303
Payroll processing fees	8,395	1,568	278	10,241	2,171	171	2,342	12,583
Personnel expenses	3,826	33,334	690	37,850	3,802	2,902	6,704	44,554
Printing	43,392	1,057	9,267	53,716	1,062	15,148	16,210	69,926
Professional fees	10,215	1,588	-	11,803	108,824	114,623	223,447	235,250
Repairs and maintenance	1,285,741	-	3,619	1,289,360	-	-	-	1,289,360
Technology	210,062	31,219	7,012	248,293	50,212	15,140	65,352	313,645
Telephone	24,436	2,734	2,459	29,629	4,956	2,393	7,349	36,978
Travel	1,574	2,331	7,295	11,200	15,273	1,239	16,512	27,712
Uniforms and other	25,353	-	-	25,353	-	416	416	25,769
Utilities	483,979	-	-	483,979	66,000	-	66,000	549,979
Total expenses	5,392,646	1,270,870	1,120,330	7,783,846	954,668	1,004,188	1,958,856	9,742,702
Less expenses included with revenues on the statement of activities								
Special events	-	-	-	-	-	(343,906)	(343,906)	(343,906)
	<u>\$ 5,392,646</u>	<u>\$ 1,270,870</u>	<u>\$ 1,120,330</u>	<u>\$ 7,783,846</u>	<u>\$ 954,668</u>	<u>\$ 660,282</u>	<u>\$ 1,614,950</u>	<u>\$ 9,398,796</u>

See notes to financial statements

NATIONAL WWI MUSEUM AND MEMORIAL
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 9,964,882	\$ (416,405)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	750,198	693,604
Realized (gains) losses on investments	51,249	(240,233)
Unrealized (gains) losses on investments	(876,065)	1,243,660
Changes in		
Grants and accounts receivable	(453,627)	(791,105)
Unconditional promises-to-give	(487,712)	2,715,112
Inventory	9,590	(16,826)
Prepaid expenses	123,042	(45,301)
Accounts payable	(479,796)	716,850
Accrued expenses	(2,187)	(22,280)
Contract liabilities	68,923	93,613
Net cash provided by operating activities	<u>8,668,497</u>	<u>3,930,689</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	1,140,285	6,130,877
Purchases of investments	(3,345,850)	(6,871,773)
Purchase of property and equipment	(5,634,344)	(3,603,096)
Net cash used by investing activities	<u>(7,839,909)</u>	<u>(4,343,992)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	828,588	(413,303)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>13,796,655</u>	<u>14,209,958</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 14,625,243</u>	<u>\$ 13,796,655</u>

NATIONAL WWI MUSEUM AND MEMORIAL

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History

National WWI Museum and Memorial (the Museum), a Missouri not-for-profit corporation, was formed in 1919 to honor those who gave service during World War I through the construction of a memorial and museum complex in 1926. The Museum buildings and the surrounding parklands, all told 47 acres, are owned by the City of Kansas City, Missouri (the City), and the Museum artifacts are owned by the Museum. The original Museum comprised two 2,550 square-foot buildings to house the collection, the Tower and additional exterior architectural elements and artistic renderings. On October 6, 2000, the Museum was listed on the National Register of Historic Places. The original Museum was restored in 2002 pursuant to guidelines established by the State of Missouri Historical Preservation Office and met the criteria of the Secretary of the Interior's Standards for the Treatment of Historic Properties. The Museum's rededication ceremony was held on Memorial Day of 2002. As a result of the restoration, significant underground space became available for the expanded Museum exhibit area (30,000 square feet) and the associated research and archival storage areas (22,000 square feet). Restoration and expansion efforts were validated in the *Historic Structure, Landscape, and Preservation Planning Report for Liberty Museum* prepared by John G. Waite Associates, Architects, PLLC.

The grand opening of the expanded Museum, designated by the United States Congress as the National World War I Museum in 2004, took place on December 2, 2006. The expanded Museum displays or stores virtually all of the Museum's collection of objects and artifacts. This rich, diverse, comprehensive collection representing all facets of World War I has grown to more than 384,000 objects and artifacts as of December 31, 2023. Pursuant to the guidelines of the American Association for State and Local History (AASLH), the collection has not been capitalized because the AASLH believes that collections are not financial assets but constitute a separate category of resource directly fulfilling institutional missions, legal responsibilities and fiduciary obligations. The Museum has agreed to follow the AASLH's *Statement of Professional Standards and Ethics*, which specifically concludes that collections shall not be capitalized nor treated as financial assets. Accessions to the collection, which often include multiple artifacts, totaled 294 and 124 in 2023 and 2022, respectively.

In 2014 the Congress of the United States designated the Museum as a national World War I memorial, thereby giving the Museum the designation as National World War I Museum and Memorial.

Since then, a new special exhibition space has been added and a multi-year initiative to create a richer and more immersive visitor experience has begun. Expected to be completed in 2025, these are the most expansive upgrades to the Museum and Memorial since its opening in 2006.

Nature of Activities

The Museum's core initiatives are supported by donor contributions, an agreement with the City and its Parks and Recreation Department for the operation and maintenance of the Museum and revenues from admissions, space rentals, café operations and the sale of merchandise. The Museum's core programs are as follows:

Museum operations - reflects the operating expenses of the Museum (including the Liberty Memorial Tower, multiple exhibit halls, café, auditorium, and other event rental spaces), including care and upkeep of the 47-acre campus.

NATIONAL WWI MUSEUM AND MEMORIAL

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Activities (Continued)

Collections management and research - includes the curatorial team; as well as the cataloging, preservation, storage, research and exhibition of artifacts and archives, including digitization for on-line viewing of the collection.

Public programs - for staff, content and other costs associated with the public education and community interest programs, including youth outreach and on-line educational content.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) which require the Museum to report information for financial reporting purposes into two net asset categories.

Net assets without donor restrictions - Includes resources available for support of program services and operations, which have no donor-imposed restrictions (unrestricted). All contributions are considered to be available for unrestricted use and available unless specifically restricted by the donor. Net assets without donor restrictions include discretionary designations made by the Board of Trustees including investment in property and equipment.

Net assets with donor restrictions - Represents those net assets whose use has been limited by donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity and the income from such resources can be spent for program related expenses. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Fair Value Measurements

The fair value of financial instruments including cash and cash equivalents, grants and accounts receivable, unconditional promises-to-give, prepaid expenses, inventory, accounts payable, accrued expenses and contract liabilities approximate carrying value due to the short-term nature of these accounts.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Museum determines the fair values of its financial instruments based on the fair value hierarchy established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1: financial instruments are valued based on quoted prices in active markets for identical assets or liabilities.

NATIONAL WWI MUSEUM AND MEMORIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Level 2: financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities.

Level 3: financial instruments are valued using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

There were no triggering events that required fair value measurements of the Museum's nonfinancial assets and liabilities at December 31, 2023 and 2022.

Cash and Cash Equivalents

The Museum considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Grants and Accounts Receivable

Grants and accounts receivable are stated at the amount management expects to collect from outstanding balances. These amounts are carried net of allowance for credit losses. The allowance for credit losses account is increased by provisions charged to expense and reduced by accounts charged off, net of recoveries. The allowance is maintained at a level considered adequate to provide for potential account losses based on management's evaluation of the anticipated impact on the balance of current economic conditions, changes in the character and size of the balance, past and expected future loss experience and other pertinent factors. The allowance for credit losses was \$29,433 and \$19,412 at December 31, 2023 and 2022, respectively.

Unconditional Promises-To-Give

Unconditional promises-to-give are recognized as support in the period the promises are received. The Museum provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in the collection of all promises-to-give. The estimated losses are based on historical collection experience coupled with a review of the current status of the existing uncollectible promises-to-give. Unconditional promises-to-give due in the next year are recorded at their net realizable value. Unconditional promises-to-give due in subsequent years are reported at the present value of their net realizable value. The allowance for doubtful unconditional promises-to-give was \$60,000 at December 31, 2023 and 2022.

Investments

Investments consist of common stocks, money market funds, equity funds, fixed income and government and corporate bond funds. Investments are stated at fair value as determined by the investment custodians and managers. Cost is determined by purchase price or fair value at the time of donation, if donated.

NATIONAL WWI MUSEUM AND MEMORIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

The Museum follows GAAP which defines fair value as the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs including quoted prices in active markets for similar assets and Level 3 inputs consist of unobservable inputs that are supported by little or no market activity and have the lowest priority.

Net investment return (loss) is reported in the statements of activities and changes in net assets and consists of interest and dividends, realized and unrealized gains and losses, less investment fees.

Inventory

Inventory comprises merchandise for resale and is stated at lower of cost, determined on the first-in, first-out basis, or net realizable value.

Property and Equipment

The Museum facility is owned by the City, and the operating agreement with the City provides that certain property and equipment acquired by the Museum that is permanently affixed to the Museum building and grounds and property that is acquired with proceeds of bonds issued by the City, are the property of the City.

Property and equipment acquisitions by the Museum are recorded at cost and depreciated over the shorter of their estimated useful lives or the terms of the operating agreement, including renewals. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated assets to a specific purpose. The Museum capitalizes property and equipment over \$5,000.

Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Exhibition Space and Facility Improvements	15 - 30
Transportation Equipment	5
Equipment and Furnishings	3 - 15

Asset Impairment Assessments

The Museum reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is recognized to the extent that the sum of undiscounted estimated future cash flows expected to result from use of the assets is less than carrying value. If impairment is recognized, the carrying value of the impaired asset is reduced to its fair value.

NATIONAL WWI MUSEUM AND MEMORIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The Museum determines if an arrangement is a lease at inception by determining whether the agreement conveys the right to control the use of the identified asset for a period of time, whether the Museum has the right to obtain substantially all of the economic benefits from use of the identified asset, and the right to direct the use of the asset. Lease liabilities are recognized at the commencement date based upon the present value of the remaining future minimum lease payments over the lease term using the rate implicit in the lease or the risk-free rate. The risk-free rate is defined as the daily treasury par yield curve rate for a period of time that approximates the lease term.

The lease right-of-use assets are initially measured at the carrying amount of the lease liability and adjusted for any prepaid or accrued lease payments, remaining balance of lease incentives received, unamortized initial direct costs, or impairment charges relating to the right-of-use-asset. Certain leases contain escalation clauses, which are factored into the right-of-use asset where appropriate. Lease expense for minimum lease payments is recognized on straight-line basis over the lease term.

Public Support – Contributions and Grants

The Museum reports gifts of cash and other assets as donor-restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Donor-restricted support whose restrictions are satisfied in the same reporting year are reported as support within net assets without donor restrictions.

Revenue Recognition for Contracts with Customers

The Museum's revenue streams under contracts with customers are comprised of revenues associated with management fees, memberships, special events, admission fees, facility rental fees, retail sales and program fees. Management fees, admission fees and facility rental fees are included in "Admissions, facility use and other" revenues on the statement of activities.

For each revenue stream identified above, revenue recognition is subject to the completion of performance obligations. For each contract with a customer, the Museum determined whether the performance obligations in the contracts are distinct or should be bundled. Factors to be considered include the pattern of transfer, whether customers can benefit from the resources, and whether the resources are readily available. The Museum's revenue is recognized when a given performance obligation is satisfied, either over a period of time or at a given point in time. The Museum recognized the revenue over a period of time if the customer receives and consumes the benefit that the Museum provided, or if the Museum's performance does not create an asset with an alternative use and has an enforceable right to payment for the performance.

The revenue is recognized at a given point in time when the control of the goods or service is transferred to the customer and when the customer can direct its use and obtain substantial benefit from the goods.

NATIONAL WWI MUSEUM AND MEMORIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition for Contracts with Customers (Continued)

The transaction price is calculated as the amount of consideration to which the Museum expects to be entitled. In some situations, the Museum bills customers and collects cash prior to the satisfaction of the performance obligation, which results in the Museum recognizing contract liabilities upon receipt of payment.

The following explains the performance obligations related to each revenue stream and how they are recognized.

Management Fees – Revenue derived from the City for facility management are recorded as earned. See note 10.

Special Events – Fundraising events are comprised of an exchange element equal to the fair value of direct benefits to donors and a contribution revenue for the difference. The Museum's revenue is recognized when a given performance obligation is satisfied, usually at the time of the event. The contribution portion is recognized immediately. Direct donor benefits are shown as a reduction of related revenue on the accompanying statements of activities and changes in net assets. Direct donor benefits consist of food and beverage provided to attendees.

Memberships – The Museum earns membership dues from its members. Membership dues are earned over the course of one year, representing the period over which the Museum satisfies the performance obligation.

Admission Fees – The Museum generates revenue from ticket sales which is recognized as revenue at the time the transaction is executed as that is the point in time when the Museum has satisfied its performance obligation.

Facility Rental Fees – Rental fee revenues consist of room rentals for special events on a specified date. The Museum recognizes revenue at the point in time when the service is rendered to the customer.

Merchandise and Café Sales – The Museum generates revenues from gift shop merchandise sales as well as food and beverage sales in the Café. Merchandise and food/beverage sales are recognized at the point in time when the sale occurs and the customer takes possession of the item purchased.

Program Fees – The Museum generates revenues from providing educational classes or programs to the public. Revenue is recognized at the time the class or program is held.

Contract Liabilities

Contract liabilities represent amounts received in advance from memberships, facility rentals, programs and the management fee received from the City. All performance obligations related to these contract liabilities are provided and satisfied during the subsequent year.

NATIONAL WWI MUSEUM AND MEMORIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services

A significant number of individuals contribute their services to the Museum as volunteers. The volunteers serve as greeters, docents, educational assistants, research assistants, perform other visitor service functions and provide administrative support. Volunteers contribute over 57,000 hours of service annually. The value of this contributed time is not reflected in these financial statements since it did not enhance non-financial assets or require specialized skills.

Advertising

The Museum expenses all advertising costs as they are incurred. Advertising costs, included in marketing, were \$213,668 and \$168,381 for the years ended December 31, 2023 and 2022, respectively.

Income Taxes

The Museum is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and none of its present or anticipated future activities are subject to taxation as unrelated business income. Therefore, no provision for income taxes has been made in the accompanying financial statements.

The Museum follows the provisions of ASC 740-10-25, *Income Taxes*, requiring disclosure of uncertain tax positions. The Museum's accounting policy is to provide liabilities for uncertain income tax provisions when a liability is probable and estimable. The Museum had no uncertain income tax positions for the years ended December 31, 2023 and 2022, and is not aware of any violation of its tax status as an Museum exempt from income taxes. The Museum is subject to audits for Federal or state purposes for the statutory period.

Concentrations of Credit Risk

Financial instruments which potentially subject the Museum to significant concentrations of credit risk consist principally of cash and cash equivalents and investments. The Museum maintains its bank accounts at financial institutions with a high credit standing where accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balance in these accounts frequently exceeds federally insured limits. Management considers this a normal business risk.

The Museum invests in various investment securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. 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 changes could materially affect the amounts reported in the statement of financial position.

The Museum received funding from three funders totaling \$8,559,847 for the year ended December 31, 2023. These amounts represent 41% of the total revenue and support for the year ended December 31, 2023. Accounts receivable from these funders were \$688,993 as of December 31, 2023.

NATIONAL WWI MUSEUM AND MEMORIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classifications. Other expenses that are common to programs and support services are allocated based on management's estimate of resources devoted to each. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Museum.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Recently Adopted Accounting Pronouncement

Effective January 1, 2023, the Company adopted accounting standards update ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which replaced the incurred loss methodology with the expected loss model. There was no material impact as a result of the adoption of ASU 2016-13.

Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform with the 2023 presentation.

Subsequent Events

Subsequent events have been evaluated through August 15, 2024, which is the date the financial statements were available to be issued.

NOTE 2 — UNCONDITIONAL PROMISES-TO-GIVE

Unconditional promises-to-give consist of the following:

	December 31,	
	2023	2022
Gallery Refresh Project	\$ 2,917,833	\$ 1,894,367
Education Programs	-	171,342
Unrestricted	<u>100,000</u>	<u>225,000</u>
	3,017,833	2,290,709
Less: Allowance for Doubtful Accounts	<u>60,000</u>	<u>60,000</u>
	2,957,833	2,230,709
Less: Discount to Present Value	<u>478,789</u>	<u>239,377</u>
	<u>\$ 2,479,044</u>	<u>\$ 1,991,332</u>

NATIONAL WWI MUSEUM AND MEMORIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 — UNCONDITIONAL PROMISES-TO-GIVE (Continued)

	December 31,	
	<u>2023</u>	<u>2022</u>
Amounts Due In		
Less than one year	\$ 898,501	\$ 1,410,167
One to five years	<u>2,059,332</u>	<u>820,542</u>
	2,957,833	2,230,709
Less: Discount to present value	<u>478,789</u>	<u>239,377</u>
	<u>\$ 2,479,044</u>	<u>\$ 1,991,332</u>

Unconditional promises to give due more than one year from December 31, 2023 have been discounted at 8%.

NOTE 3 — INVESTMENTS

Investments consist of the following at December 31, 2023:

	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value</u>
Without Donor Restrictions			
Money market funds	\$ 2,365,194	\$ 2,365,194	
Equity mutual funds	77,738	90,328	
Fixed income mutual funds	16,201	16,196	
Government bonds	67,179	65,953	
Corporate bonds	<u>96,554</u>	<u>95,944</u>	
Total unrestricted	<u>2,622,866</u>	<u>2,633,615</u>	
With Donor Restrictions			
Money market funds	273,597	273,597	
Common stock	3,852,908	4,362,699	
Government bonds	823,898	814,538	
Corporate bonds	<u>1,586,279</u>	<u>1,568,941</u>	
Total donor restricted	<u>6,536,682</u>	<u>7,019,775</u>	
Balance, End of Year	<u>\$ 9,159,548</u>	<u>\$ 9,653,390</u>	\$ 493,842
Balance, Beginning of Year	<u>\$ 7,005,232</u>	<u>\$ 6,623,009</u>	<u>(382,223)</u>
Unrealized Gain for the Year			876,065
Realized Losses			<u>(51,249)</u>
Net Realized and Unrealized Gains on Investments			<u>\$ 824,816</u>

NATIONAL WWI MUSEUM AND MEMORIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 3 — INVESTMENTS (Continued)

Net investment return was as follows for the year ended December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Net investment return			
Interest and dividends	\$ 500,917	\$ 161,262	\$ 662,179
Net realized gains (losses)	1,416	(52,665)	(51,249)
Net unrealized gains (losses)	19,042	857,023	876,065
Investment fees	<u>(10,808)</u>	<u>(22,850)</u>	<u>(33,658)</u>
	<u>\$ 510,567</u>	<u>\$ 942,770</u>	<u>\$ 1,453,337</u>

Investments consist of the following at December 31, 2022:

	Cost	Fair Value	Excess of Fair Value
Without Donor Restrictions			
Money market funds	\$ 189,242	\$ 189,242	
Equity mutual funds	82,203	79,773	
Fixed income mutual funds	16,201	15,953	
Government bonds	71,442	62,166	
Corporate bonds	<u>83,436</u>	<u>86,689</u>	
Total unrestricted	<u>442,524</u>	<u>433,823</u>	
With Donor Restrictions			
Money market funds	229,991	229,991	
Common stock	3,881,333	3,622,769	
Government bonds	656,111	631,968	
Corporate bonds	<u>1,795,273</u>	<u>1,704,458</u>	
Total donor restricted	<u>6,562,708</u>	<u>6,189,186</u>	
Balance, End of Year	<u>\$ 7,005,232</u>	<u>\$ 6,623,009</u>	\$ (382,223)
Balance Beginning of Year	<u>\$ 6,024,103</u>	<u>\$ 6,885,540</u>	<u>861,437</u>
Unrealized Loss for the Year			(1,243,660)
Realized Gains			<u>240,233</u>
Net Realized and Unrealized Loss on Investments			<u>\$ (1,003,427)</u>

Net investment return was as follows for the year ended December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Net investment return			
Interest and dividends	\$ 67,101	\$ 69,913	\$ 137,014
Net realized gains (losses)	494,894	(254,661)	240,233
Net unrealized losses	(724,555)	(519,105)	(1,243,660)
Investment fees	<u>(10,939)</u>	<u>(14,426)</u>	<u>(25,365)</u>
	<u>\$ (173,499)</u>	<u>\$ (718,279)</u>	<u>\$ (891,778)</u>

NATIONAL WWI MUSEUM AND MEMORIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 4 — FAIR VALUE MEASUREMENTS

The following is a description of the valuation methodologies used for assets measured at fair value:

Money Market Funds, Common Stocks, Equity Mutual Funds and Fixed Income Mutual Funds

Domestic and foreign securities and mutual funds traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. Investments in mutual funds represent open ended funds which transact at a net asset value on a daily basis. Since the market for these securities is active and observable, such investments are reported at the unadjusted net asset value at the end of each trading day.

Government and Corporate Bonds

Corporate and foreign bonds are valued based on yields currently available on comparable securities of issuers of similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks. Government bonds include both U.S. treasury bonds and agency bonds. U.S. treasury bonds are valued using proprietary valuation models incorporating live data from active market makers and brokers as reported on electronic communication networks. The valuation models incorporate benchmark yields, reported trades, broker/dealer quotes, bids, offers and other data. Evaluated pricing models that vary by type of security and incorporate available market data are utilized to determine fair market value of agency bonds. Standard inputs include issuer and type of security, benchmark yields, reported trades, broker/dealer quotes and issuer spreads.

Fair values of assets measured on a recurring basis at December 31, 2023 and 2022 are as follows:

	Total Fair Value	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs
<u>December 31, 2023</u>				
Investments				
Money market funds	\$ 2,638,791	\$ 2,638,791	\$ -	\$ -
Common stocks	4,362,699	4,362,699	-	-
Equity mutual funds	90,328	90,328	-	-
Fixed income funds	16,196	16,196	-	-
Bonds				
Government	880,491	-	880,491	-
Corporate	<u>1,664,885</u>	<u>-</u>	<u>1,664,885</u>	<u>-</u>
Total investments at fair value	<u>\$ 9,653,390</u>	<u>\$ 7,108,014</u>	<u>\$ 2,545,376</u>	<u>\$ -</u>

NATIONAL WWI MUSEUM AND MEMORIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 4 — FAIR VALUE MEASUREMENTS (Continued)

	Total Fair Value	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs
<u>December 31, 2022</u>				
Investments				
Money market funds	\$ 419,233	\$ 419,233	\$ -	\$ -
Common stocks	3,622,769	3,622,769	-	-
Equity mutual funds	79,773	79,773	-	-
Fixed income funds	15,953	15,953	-	-
Bonds				
Government	694,134	-	694,134	-
Corporate	1,791,147	-	1,791,147	-
Total investments at fair value	<u>\$ 6,623,009</u>	<u>\$ 4,137,728</u>	<u>\$ 2,485,281</u>	<u>\$ -</u>

NOTE 5 — PROPERTY AND EQUIPMENT

Property and equipment, consists of:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Exhibition Space	\$ 11,964,817	\$ 11,964,817
Facility Improvements	4,754,438	1,356,774
Transportation Equipment	17,295	17,295
Equipment and Furnishings	2,812,277	2,710,983
Construction in Progress	<u>6,614,172</u>	<u>4,496,939</u>
	26,162,999	20,546,808
Accumulated Depreciation	<u>9,047,426</u>	<u>8,315,381</u>
	<u>\$ 17,115,573</u>	<u>\$ 12,231,427</u>

Depreciation expense was \$750,198 and \$693,604 for the years ended December 31, 2023 and 2022, respectively.

Construction in Progress includes costs incurred for a Gallery Refresh Project. The Museum entered into various contracts for \$6,718,000 for the Project. During the years ended December 31, 2023 and 2022, the Museum paid approximately \$2,158,000 under these agreements. The remaining obligation under the agreements are approximately \$4,560,000. Other costs for the Project have been capitalized as incurred.

**NATIONAL WWI MUSEUM AND MEMORIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022**

NOTE 6 — OPERATING LEASES

The Company primarily has operating leases for office equipment, which encompass third-party leases. The Company’s leases have remaining lease term of that mature through 2027.

The weighted average remaining lease term of related party operating leases as of December 31, 2023 and 2022 were 3.52 and 4.52 years, respectively.

The weighted average discount rates of related party operating leases as of December 31, 2023 and 2022 was 8.00%.

Minimum future lease payments under non-cancellable operating leases described above as of December 31 are as follows:

<u>Years Ending December 31</u>	
2024	\$ 13,864
2025	12,019
2026	10,174
2027	<u>8,479</u>
Undiscounted cash flows	44,536
Present value discount	<u>(7,085)</u>
Long-term portion of lease liability	<u>\$ 37,451</u>

NOTE 7 – COVID-19 RELIEF FUNDING

Employee Retention Credit (ERC)

The ERC, a credit against certain payroll taxes allowed to an eligible employer for qualifying wages, was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). The Museum elected to apply for the ERC. The ERC is considered a conditional grant, as the Museum only qualifies for the transfer of assets if it has overcome the barrier of eligibility. For the year ended December 31, 2022, the Museum determined they met the barriers of the ERC and recorded grant revenue of \$230,464 which was collected prior to December 31, 2022.

Laws and regulations concerning government programs, including the ERC established by the CARES Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Museum’s claim to the ERC, and it is not possible to determine the impact, if any, this would have upon the Museum.

NATIONAL WWI MUSEUM AND MEMORIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 7 – COVID-19 RELIEF FUNDING (Continued)

Paycheck Protection Program (PPP) and Shuttered Venues Operators Grant (SVOG)

The Museum received \$1,232,601 in Paycheck Protection Program (PPP) funds and \$1,899,846 in the Shuttered Venues Operators Grant (SVOG) program during 2021. For the PPP and SVOG programs, according to the rules of the U.S. Small Business Administration (SBA), the Museum is required to retain documentation of the expenditures for six years, and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the Museum's judgments pertaining to satisfying expense eligibility or forgiveness conditions, the Museum may be required to adjust previously reported amounts and disclosures in the financial statements.

NOTE 8 — LINE OF CREDIT

The Museum has a line of credit for \$2,000,000. The line is secured by receivables, bears interest at prime plus 0.50% and expires in January 2025. No amounts were drawn during the years ended December 31, 2023 and 2022. The prime interest rate was 8.5% and 7.5% at December 31, 2023 and 2022, respectively.

NOTE 9 — NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets are available for the following purposes:

	December 31,	
	2023	2022
Artifact acquisition, including endowment net assets of \$64,639 and \$48,134 as of December 31, 2023 and 2022, respectively	\$ 71,639	\$ 54,134
Collection digitization	413,372	421,839
Education center furnishings	7,125	7,125
Education, lecture and other, including endowment net assets of \$1,253,952 and \$457,652 as of December 31, 2023 and 2022, respectively	2,307,048	1,015,191
Gallery Refresh and Other Capital Projects	14,354,334	11,295,253
Time restricted pledges	82,250	88,500
Upgrades to guest experience and auditorium	<u>26,522</u>	<u>26,522</u>
	17,262,290	12,908,564
Endowment funds held in perpetuity	<u>4,384,560</u>	<u>4,373,560</u>
Total Net Assets With Donor Restrictions	<u>\$ 21,646,850</u>	<u>\$ 17,282,124</u>

**NATIONAL WWI MUSEUM AND MEMORIAL
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023 and 2022**

NOTE 9 — NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets released from donor restrictions by incurring expenses satisfying the purpose or satisfaction of time restrictions were as follows:

	Years Ended December 31,	
	2023	2022
Artifact acquisition	\$ 24,824	\$ 17,824
Educational, lecture and other	355,878	430,569
Gallery Refresh and Other Capital Projects	8,113,993	5,085,120
Digitization, distance learning and other	248,717	187,500
Upgrades to guest experience and auditorium	-	66,521
	<u>\$ 8,743,412</u>	<u>\$ 5,787,534</u>

NOTE 10 — ENDOWMENT AND RESERVE FUNDS

The State of Missouri has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA provides guidance and authority concerning the management and investment of donor funds and provides the Museum’s governing board certain guidelines to use when determining what is prudent in terms of retaining and spending restricted donor funds held in perpetuity. Under the provision of UPMIFA, organizations are required to maintain and report endowment funds based upon donor intent, whether explicit or implied. Based on its interpretation of the provisions of UPMIFA and a review of underlying endowment agreements, management has determined that maintaining permanent endowments at their historic dollar value is appropriate and consistent with the intent of the Museum’s donors.

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the fund’s original value, generally due to unfavorable market fluctuations. Deficiencies of this nature would be disclosed. There were no such deficiencies at December 31, 2023 or 2022.

The Museum’s donor restricted funds consist of a permanent endowment fund established in connection with the award of a \$500,000 National Endowment for the Humanities (NEH) Challenge Grant to the Museum, subject to a matching requirement of one dollar of NEH funds for every three dollars raised by the Museum. This matching requirement was met in 2009. The income from the endowment is to be used 90% for educational programming and 10% for artifact acquisition.

The Museum is strengthening its philanthropic engagement with the intent of building its endowment and reserve funds. The Museum seeks to create various endowed funds to support all aspects of Museum operations, care and upkeep of the Museum and upkeep of the grounds. A comprehensive fundraising campaign “A Second Century” is supporting these initiatives.

Board-designated reserve consists of a fund established in 2009 to provide resources to support the Museum’s operations and is included in net assets without donor restrictions.

NATIONAL WWI MUSEUM AND MEMORIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 10 — ENDOWMENT AND RESERVE FUNDS (Continued)

The 2023 changes in the endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of Year	\$ 957,794	\$ 4,722,980	\$ 5,680,774
Contributions	-	298,175	298,175
Interest and Dividend Income, Net of Investment Fees	19,836	118,703	138,539
Net Realized and Unrealized Gains	126,581	674,026	800,607
Grants	-	(110,733)	(110,733)
End of Year	<u>\$ 1,104,211</u>	<u>\$ 5,703,151</u>	<u>\$ 6,807,362</u>

The 2022 changes in the endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of Year	\$ 412,419	\$ 5,539,920	\$ 5,952,339
Contributions	625,000	12,509	637,509
Interest and Dividend Income, Net of Investment Fees	6,810	91,473	98,283
Net Realized and Unrealized Gains	(86,435)	(809,752)	(896,187)
Grants	-	(111,170)	(111,170)
End of Year	<u>\$ 957,794</u>	<u>\$ 4,722,980</u>	<u>\$ 5,680,774</u>

The Museum has adopted investment and spending policies for endowment and other extended-time horizon assets that attempt to provide a reasonable rate of return as a source of funding to programs supported by its endowments. Under the investment policy, endowment assets are to be invested in various asset classes while assuming a reasonable level of investment risk.

To satisfy its long-term objectives of equity preservation and growth, the Museum has adopted a total return strategy for investment returns through both capital appreciation and current income using an asset allocation policy that allows for investing in equity-related securities to achieve its return objectives. The current target allocation for these assets is 40% money market and fixed income investments and 60% equities; and the current target allocation for mid-term assets (3 to 5 year time horizon) is 70% money market and fixed income funds and 30% equity funds, which are within the specified ranges of the current investment policy.

The Museum's default spending policy allows for the use of up to 4% of the prior three-year end average market values of the endowment funds, or as otherwise directed by the donor during the establishment of the fund.

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NOTE 11 — AGREEMENT WITH THE CITY OF KANSAS CITY, MISSOURI

The Museum has an agreement with the City to manage the Museum as well as the surrounding 47-acre parkland, and to exhibit artifacts and otherwise operate the Museum, including providing maintenance and security. The agreement expires March 23, 2042 but will automatically renew for successive five-year periods unless terminated as provided for in the agreement. The agreement also provides that property and equipment, other than that acquired with the proceeds of bonds issued by the City or permanently affixed to the Museum, will become the property of the Museum.

The management and operating fee is \$625,000 annually, subject to appropriation from the City’s general fund, net of certain costs paid for by the City, and is for the period May 1 to April 30 each year. The portion of the payment received by the Museum that pertains to the subsequent year is included in contract liabilities in the accompanying statements of financial position.

The Liberty Memorial Trust Fund (Fund), held by the City for the benefit of the Museum, was created in 2000. The amount received by the Museum from the Fund annually to help pay for maintenance, utilities and security is equal to 45% of the earnings from the Fund.

The Fund had an initial balance of \$15.7 million when created in 2000, and the balance was approximately \$9,900,000 at December 31, 2023. Any amounts received by the Museum in excess of actual expenses are to be returned to the City. There were no amounts required to be returned to the City as of December 31, 2023 or 2022.

The City also makes grants for specific purposes to the Museum. All amounts received from the City are included in governmental grants in the accompanying statements of activities and changes in net assets. Amounts received from the City and included in government grants revenues were as follows:

	Years Ended December 31,	
	2023	2022
Management and Operations	\$ 624,419	\$ 757,769
Maintenance and Security	48,164	49,582
Other Special Projects and Sponsorships	31,000	19,100
	\$ 703,583	\$ 826,451

NOTE 12 — RETIREMENT PLAN

The Museum has a 401(k) plan covering all employees who meet minimum age and service requirements. Participants may contribute up to the maximum allowed by law. If a participant is age 50 or older by the end of the year, the participant may also make certain “catch-up” contributions.

The Museum matches 100% of employee deferrals up to 3% of compensation and 50% of deferrals that exceed 3% of compensation, but do not exceed 5% of compensation. Matching contributions were \$173,587 and \$170,703 during the years ended December 31, 2023 and 2022, respectively.

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NOTE 13 — AVAILABILITY OF FINANCIAL ASSETS (LIQUIDITY)

The Museum has the following financial assets without donor restrictions available within one year:

	Years Ended December 31,	
	2023	2022
Cash and Cash Equivalents	\$ 14,625,243	\$ 13,796,655
Grants and Accounts Receivable	1,476,276	1,022,649
Unconditional Promises-to-Give, Due Within One Year	898,501	1,410,167
Investments, net of donor restricted endowments	3,888,730	1,900,029
	\$ 20,888,750	\$ 18,129,500

The Museum regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Museum has various sources of liquidity at its disposal, including cash and cash equivalents, marketable investments and a line of credit.

Cash in excess of daily requirements is invested in short-term investments and certificates of deposit. To manage unanticipated liquidity needs, the Museum maintains a \$2,000,000 line of credit.

Additionally, as of December 31, 2023 and 2022, the Museum had \$1,104,211 and \$957,794, respectively, in board designated reserve funds. Although there is no intention to spend from this board-designated reserve (other than amounts appropriated for general expenditure as part of the Board’s annual budget approval and appropriation), these amounts could be made available if necessary.