CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
FEBRUARY 28, 2025

CHESAPEAKE BAY MARITIME MUSEUM, INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2025

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ALTA CPA GROUP

Independent Auditor's Report

To the Board of Governors of
Chesapeake Bay Maritime Museum, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Chesapeake Bay Maritime Museum, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of February 28, 2025, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Chesapeake Bay Maritime Museum, Inc. as of February 28, 2025 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

59 Franklin Street, 2nd Floor
Annapolis, MD 21401

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Chesapeake Bay Maritime Museum, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chesapeake Bay Maritime Museum, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Alta CPA Group, LLC

Annapolis, MD
June 3, 2025

CHESAPEAKE BAY MARITIME MUSEUM, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FEBRUARY 28, 2025

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	$ 1,924,949
Accounts and Grants Receivable	273,374
Contributions Receivable, Current Portion	952,038
Museum Store Inventories	104,329
Boat Lumber Inventory	69,073
Donated Boat Inventory, Net of Discount of $185,350	184,450
Prepaid Expenses	219,335
Total Current Assets	3,727,548
PROPERTY AND EQUIPMENT	17,871,796
OTHER ASSETS	
Contributions Receivable, Net of Current Portion and Allowance	371,683
Split-Interest Agreements Receivable	164,844
Planned Gifts Investments at Fair Value	11,267
Investments at Fair Value	19,254,667
Total Other Assets	19,802,461
Total Assets	$ 41,401,805

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	$ 259,489
Accrued Salaries and Related Expenses	381,619
Deferred Income and Deposits	291,912
Unapplied Grant Funds	82,489
Long Term Debt, Current Portion	387,239
Total Current Liabilities	1,402,748
LONG TERM DEBT, LESS CURRENT MATURITIES	1,181,283
Total Liabilities	2,584,031
NET ASSETS	
Without Donor Restrictions - Undesignated	13,047,941
Without Donor Restrictions - Board Designated for Operating and Capital Reserves	1,366,457
Without Donor Restrictions - Board Designated for Endowment	3,769,032
Total Without Donor Restrictions	18,183,430
With Donor Restrictions	20,634,344
Total Net Assets	38,817,774
Total Liabilities and Net Assets	$ 41,401,805

See independent auditor's report and accompanying notes to financial statements.

CHESAPEAKE BAY MARITIME MUSEUM, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED FEBRUARY 28, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	$ 682,876	$ 1,469,958	$ 2,152,834
Membership	647,407	-	647,407
Grants	317,508	-	317,508
Special Events, Net of Cost of Direct Donor Benefits	365,429	-	365,429
General Admissions	1,495,451	-	1,495,451
Grounds and Other Rentals	344,174	-	344,174
Educational Programs	131,945	-	131,945
Changes in the Value of Split-Interest Agreements	229	-	229
Investment Income (Loss)	356,704	1,420,490	1,777,194
Museum Store Gross Profit, Net of Costs of Goods Sold of $174,623	155,631	-	155,631
Sales of Donated Boats, Net of Expenses of $178,823	365,835	-	365,835
Gain (Loss) on Sale of Equipment	570	-	570
Shipyard Project Income	166,056	-	166,056
Concession Sales	35,049	-	35,049
Other Income	4,997	-	4,997
Net Assets Released from Restrictions	2,463,467	(2,463,467)	-
Total Revenues and Other Support	7,533,328	426,981	7,960,309
EXPENSES			
Program Services	6,400,158	-	6,400,158
Administrative	1,370,290	-	1,370,290
Fundraising	642,802	-	642,802
Total Expenses	8,413,250	-	8,413,250
Change in Net Assets	(879,922)	426,981	(452,941)
Net Assets at Beginning of Year	19,063,352	20,207,363	39,270,715
Net Assets at End of Year	$ 18,183,430	$ 20,634,344	$ 38,817,774

See independent auditor's report and accompanying notes to financial statements.

CHESAPEAKE BAY MARITIME MUSEUM, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED FEBRUARY 28, 2025

	Program Services	Administrative	Fundraising	Cost of Direct Donor Benefits	Total Expenses
Collection and Library Acquisitions	$ 273,688	$ -	$ -	$ -	$ 273,688
Contributions	-	1,500	-	-	1,500
Depreciation	1,152,190	-	-	-	1,152,190
Donated Boat Expenses	178,823	-	-	-	178,823
Exhibitions	51,077	-	-	-	51,077
Insurance	427,986	91,986	29,328	-	549,300
Maintenance	400,041	-	-	-	400,041
Meals and Entertainment	-	-	-	146,467	146,467
Membership Program	2,707	3,414	24,475	-	30,596
Miscellaneous	38,598	-	-	-	38,598
Museum Shop Cost of Goods Sold	174,623	-	-	-	174,623
Occupancy and Utilities	282,031	54,524	5,937	-	342,492
Office Expense	158,082	52,728	20,746	-	231,556
Payroll Taxes	143,258	76,848	27,588	-	247,694
Postage and Shipping	4,142	853	2,415	-	7,410
Printing and Publications	20,183	-	9,803	-	29,986
Professional Fees	56,587	72,093	195,547	-	324,227
Educational Programs and Events	437,832	-	-	-	437,832
Promotion	76,476	-	33,949	-	110,425
Retirement Plan Contributions	30,011	18,058	6,423	-	54,492
Salaries	1,824,875	980,797	272,480	-	3,078,152
Shipyard Project	792,667	-	-	-	792,667
Staff and Board Development	72,708	1,590	-	-	74,298
Supplies and Equipment	88,998	-	5,635	-	94,633
Telephone	55,158	11,356	7,484	-	73,998
Travel	10,863	4,543	992	-	16,398
Total Expenses	6,753,604	1,370,290	642,802	146,467	8,913,163
Less Expenses Included with Revenues on the Statement of Activities					
Cost of Goods Sold- Museum Store	(174,623)	-	-	-	(174,623)
Cost of Boats Sold	(178,823)	-	-	-	(178,823)
Cost of Direct Benefits to Donors	-	-	-	(146,467)	(146,467)
Total Expenses Included in the Expense Section on the Statement of Activities	$ 6,400,158	$ 1,370,290	$ 642,802	$ -	$ 8,413,250

See independent auditor's report and accompanying notes to financial statements.

CHESAPEAKE BAY MARITIME MUSEUM, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 28, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ (452,941)
Adjustments to Reconcile Change in Net Assets to Net Cash Used for Operating Activities:	
Depreciation	1,152,190
Gain on Sale and Disposal of Equipment	(570)
Donated Securities	(452,050)
Unrealized/Realized Gain on Investments	(1,731,389)
Changes in Operating Assets and Liabilities:	
Accounts and Grants Receivable	(706)
Split-Interest Receivable	24,515
Contributions Receivable	154,841
Inventories	100,145
Planned Gifts	(1,642)
Prepaid Expenses	(131,045)
Accounts Payable	158,477
Accrued Salaries and Related Expenses	25,217
Deferred Revenue and Deposits	34,955
Unapplied Grant Funds	2,272
Net Cash Used for Operating Activities	(1,117,731)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property and Equipment	(708,430)
Proceeds from Sale of Equipment	570
Proceeds from Sale of Investments	1,425,732
Purchase of Investments	(82,530)
Net Cash Provided by Investing Activities	635,342
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Long Term Debt	592,276
Repayments of Long Term Debt	(323,754)
Net Cash Provided by Financing Activities	268,522
Net Decrease in Cash and Cash Equivalents	(213,867)
Cash and Cash Equivalents, Beginning of Year	2,138,816
Cash and Cash Equivalents, End of Year	$ 1,924,949
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Interest Paid	$ -
Income Taxes Paid	$ -

See independent auditor's report and accompanying notes to financial statements.

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Chesapeake Bay Maritime Museum, Inc. (CBMM) is a nonprofit organization established to explore and preserve the history, environment, and culture of the entire Chesapeake Bay region, and make this resource available to all. CBMM is a center for education, exhibition, and preservation delivering relevant and authentic stories of the people and traditions of the Bay. CBMM fulfills its mission in many ways including exhibitions, hosting annual festivals, educational programming and demonstrations, preservation of artifacts, sponsoring a Department of Labor certified shipwright apprenticeship program, and providing access to the Miles River aboard its fleet of watercraft. CBMM is supported by contributions, grants, memberships, admissions, educational programs, endowment income, and Museum store sales.

Basis of Accounting

The consolidated financial statements of CBMM have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the consolidated financial statements reflect all significant receivables, payables and other liabilities.

Principles of Consolidation

The consolidated financial statements include the accounts of CBMM, Patriot Cruises LLC, and 304 Burns Street LLC. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereafter referred to as CBMM.

Patriot Cruises LLC was formed in September 2023 to acquire MV Patriot (Patriot). Patriot offers narrated river cruises along the Miles River in St. Michaels, Maryland. Participants gain access to the sights along the river while learning the history of the region.

304 Burns Street LLC was formed in January 2024 to acquire property adjacent to CBMM's campus. The acquired property includes a water-front restaurant and parking lot which are currently leased to an unrelated operator.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. 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 resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

Use of Estimates

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue from contracts with customers consists of admissions, educational programs, museum store sales, special events, facility rentals, and shipyard activities. Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. These revenues are recognized net of discounts, waivers, and refunds.

We determine revenue recognition through the five-step model prescribed by Topic 606 as follows:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract;
- Recognition of revenue when, or as, performance obligations are satisfied;

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each performance obligation identified in the arrangement based on the relative standalone selling price of each distinct good or service in the contract and recognized as revenue when, or as, the performance obligation is satisfied. The primary method used to estimate the standalone selling price is the adjusted market assessment approach, under which we evaluate the market and estimate a price that a customer would be willing to pay for the goods and services we provide.

Our performance obligations are primarily satisfied at the point of purchase of an admission ticket, museum sale, event, membership, or provision of educational programs. Shipyard income is recognized based on the percentage of completion method. The transaction price is determined based on gross price, net of discounts or refunds.

We have elected the optional exemption to not disclose amounts where the performance obligation is part of a contract which has an original expected duration of one year or less. We expect to recognize substantially all revenue on these remaining performance obligations over the next twelve months.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Contract Balances

The timing of billings, cash collections, and revenue recognition results in contract assets of accounts receivable and costs in excess of billings and contract liabilities of deferred revenue and billings in excess of cost on the statement of financial position. Receivables are only recognized to the extent that it is probable that CBMM will collect substantially all of the consideration to which it is entitled in exchange for the goods and services that will be transferred. We receive advance payments of deposits from our customers before revenue is recognized, which are recorded as deferred income and deposits in deferred revenue.

Contract liabilities in the amount of $291,912 were included in deferred income and deposits in the consolidated statement of financial position. No contract assets from contracts with customers existed as of February 28, 2025.

Costs to Obtain a Contract

We have elected the practical expedient available in ASC 340-40, in which any incremental costs of obtaining a contract are recognized as an expense when incurred if the amortization period of the asset that would have been recognized is one year or less.

Practical Expedients and Optional Exemptions

We have made an accounting policy election to exclude from the measurement of the transaction price all taxes assessed by governmental authorities which are both imposed and concurrent with the specific revenue-producing transactions and collected by the entity from our customers, e.g., sales and use taxes.

Auxiliary Organizations

Auxiliary organizations currently include three groups: the Model Guild of the Chesapeake Bay Maritime Museum, the Model Skipjack Club of the Chesapeake Bay Maritime Museum, and SOS Sink or Swim at the Chesapeake Bay Maritime Museum.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Auxiliary Organizations (Continued)

The Model Guild was formed to provide model-building skills for CBMM projects. Materials and tools for construction projects are financed by donations and the sale of models and model kits.

The Model Skipjack Club is an organization formed to promote and stimulate interest in historic Chesapeake Bay craft through the building and sailing of model boats.

SOS Sink or Swim is dedicated to teaching children and adults in Talbot County, Maryland how to swim and to be safe in the water by subsidizing swimming lessons in community pools.

Cash, Cash Equivalents, and Certificates of Deposit

CBMM considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Fair value approximates the carrying amount of cash and cash equivalents.

Accounts Receivable

Accounts receivable arise from docking fees, store sales, exchange transaction grants, and other sources. No interest or late fees are charged on past due receivables. An allowance for doubtful accounts is recorded when management identifies past due accounts as potentially uncollectible; these accounts are written off in the period when management deems them uncollectible. At February 28, 2025, management has performed an analysis of outstanding balances and historical collection experience and deemed an allowance is not necessary.

Inventories

Inventory is stated at the lower of cost or market. Cost is determined by first-in, first-out method, and market represents the lower of replacement cost or estimated net realizable value.

Fixed Assets

Fixed assets with individual values in excess of $5,000 are recorded at cost when purchased or at fair market value if donated. Expenditures for maintenance and repairs are charged to expense as incurred, whereas renewals and betterments that extend the lives of property and equipment are capitalized. Depreciation is computed on the straight line method over the estimated useful life of the assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Collections

CBMM's collection consists of artifacts of historical significance and art objects that are held for educational, research and curatorial purposes. The collection includes a number of accessioned boats. Each of the items is catalogued, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collection is subject to a policy that requires proceeds from the sale of collection assets to be used to acquire other items for the collection.

The collection, which has been acquired through purchases and contributions since CBMM's inception, is not recognized as an asset on the statement of financial position. Purchases of collection items are recorded as decreases in with or without donor restricted net assets based on the costs used to purchase the item. Contributions of collection items are not recognized in the statement of activities and changes in net assets. Proceeds from deaccessions or insurance recoveries are reflected as changes in the appropriate net asset classes.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the changes in net assets without donor restrictions unless the donor or law restricts the income or loss.

Investment Risks

CBMM's investment portfolios are professionally managed and contain preferred and common shares and bonds of publicly traded companies, corporate bonds, U.S. government obligations, mutual funds, and money market funds. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that market conditions would materially affect investment balances and the amounts reported in the consolidated financial statements.

Fair Value Measurement

Financial assets and liabilities valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. For certain long-term debt, the fair value was based on present value techniques using inputs derived principally or corroborated from market data.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

Financial assets and liabilities using level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied. All assets have been valued using a market approach. CBMM recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Changes in the fair value of level 3 investments are reported under investment income in the statement of activities and changes in net assets. Fair value for the contribution receivable from a beneficial interest in a charitable lead unitrust is determined by calculating the present value of the quarterly distributions using published life expectancy tables and a 6.0% discount rate. Fair value for the contribution receivable from a beneficial interest in a charitable remainder trust is based on CBMM's charitable reminder interest of the trust as calculated on the date of donation and based on life expectancy of the income beneficiaries. Changes in the value of split-interest agreements are presented as a separate line item on the statement of activities and changes in net assets. Cash surrender value of life insurance is determined from analysis performed by the policy provider. Changes in the cash surrender value are included in other income on the statement of activities and changes in net assets.

Endowment

Endowment funds consist of funds that have been invested for the purpose of producing income to be used for maintenance of floating exhibits, buildings and grounds and other operating expenses, such as educational and curatorial purposes.

The Board of Governors of CBMM has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CBMM classifies as perpetually donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetually donor restricted net assets is classified as donor restricted net assets until those amounts are appropriated for expenditure by CBMM in a manner consistent with the standard of prudence prescribed by SPMIFA.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment (Continued)

In accordance with SPMIFA, CBMM considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of CBMM, and (7) CBMM's investment policies.

CBMM's endowment is comprised of donor-restricted and Board-designated funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Funds that are specifically designated by the donor to be contributed to the endowment fund are placed in designated component funds. The use of endowment funds that are donor-restricted for a specific purpose are strictly restricted for that specified purpose. Endowment funds that are not specifically directed are placed in the general purpose endowment fund.

Contributions to the endowment fund may be in the form of cash, securities, bequests, trusts, or other planned gifts. In addition, the Board of Governors of CBMM bear the right to reject any contribution that carries any restriction placed by the donor or otherwise, that is deemed by the Board to be inconsistent with the objectives and purposes of CBMM and its needs, to be incompatible with its endowment policy or to be illegal.

Donor-directed named endowment funds may be created for purposes consistent with this endowment policy. Such named funds are required to be in an amount sufficient to support the designated purpose as determined by the Board of Governors.

For investing purposes, endowment funds may be commingled consistent with legal and/or regulatory provisions. However, each directed gift is accounted for separately, although unnamed gifts directed for the same purpose may be accounted for in the aggregate.

Income from that portion of specified purpose endowment funds may be distributed only for such purpose. The Board of Governors, at their discretion, may distribute that portion of income from the general purpose endowment fund for any purpose consistent with the purposes of CBMM.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment (Continued)

CBMM seeks to maximize total return relative to appropriate risk, and achieve growth of endowment total return after distributions which, over time, will exceed the rate of inflation. The endowment is diversified among various asset classes and individual holdings to maximize return with reasonable and prudent levels of risk, to reduce fluctuations in returns and minimize the risk of losses. The allocation range will not exceed 85% in equities, both domestic and foreign, on an aggregate basis.

In order to preserve the real value of the endowment fund principal, the Board of Governors determines a distribution rate that reflects a reasonable balance between current spending outlays and reinvestment to support spending in the future. The objective is that over the long-term, distributions do not exceed real investment return (total endowment return less inflation). Annually, the Board will approve the subsequent year's distribution, based on historical fund activity. The distributions are made quarterly in equal amounts.

Contributions

All contributions are considered to be available for general use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as donor restricted support that increases net assets with donor restrictions.

Contributed services are recognized when CBMM would typically purchase such services if they were not donated and when such services require a specialized skill and are performed by an individual with that skill.

Contributed property and equipment are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as donor restricted support; in the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the present value of the estimated cash flows beyond one year. The discounts on those amounts are computed using appropriate interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

Conditional promises to give are not included as support until the conditions are substantially met. When collected prior to satisfaction of donor restrictions, amounts are reported as refundable advances.

Grants and other contributions of cash and other assets are reported as support with donor restrictions 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, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Grants are recorded as revenue when received or when conditions of the grant agreement are met.

Donated Property

Equipment and furniture, unless used as part of CBMM's physical plant or collections, are for sale as received, as are donated boats.

Stock Contributions

Marketable securities received as contributions are sold with the proceeds allocated to the appropriate designation as specified by the donor.

Volunteer Services

A substantial number of unpaid volunteers have made significant contributions of their time in the furtherance of CBMM's programs. CBMM has received approximately 8,000 volunteer hours during the year ended February 28, 2025. The value of this contributed time is not reflected in these statements because it is not susceptible to objective measurement or valuation.

Functional Allocation of Expenses

Expenses are allocated between program services, administrative support, and fundraising, in accordance with generally accepted accounting principles, and have been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

Administrative expenses include those expenses that are not directly identifiable with any other specific function, but that provide overall support and direction of CBMM. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Overhead expenses that are allocated among various departments are done so based on an estimate of usage by functional area.

Compensated Expenses

CBMM accrues compensated absences. This amount is combined with accrued payroll (at the end of the fiscal year) and is included in liabilities.

Risk Management

CBMM is insured for general, property, and liability coverage as well as worker's compensation and employee bonding. Insurance needs and coverage are reviewed continuously.

Advertising

All advertising costs are expensed as incurred.

Tax Status

CBMM is exempt from income taxes under Internal Revenue Code 501(c)(3). In addition, CBMM has been classified as an organization that is not a private foundation under Section 509(a)(1). A portion of the income from CBMM's store, certain docking fees, and property rentals may be subject to federal and state incomes taxes. For the year ended February 28, 2025, no income taxes were due.

CBMM's informational return is subject to examination by the Internal Revenue Service and the State of Maryland, generally for the three years after it is filed.

Subsequent Events

CBMM evaluated subsequent events through the date that the consolidated financial statements were available to be issued. CBMM is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to June 3, 2025 that would have a material impact on the consolidated financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

Cash and Cash Equivalents	$ 1,924,949
Accounts and Grants Receivable	273,374
Contributions Receivable	1,323,721
Planned Endowment Spending Rate Distributions	947,000
Total Current Financial Assets at Year End	4,469,044
Amounts Unavailable for General Expenditures Within One Year, Due to:	
Restricted by Donors for a Specific Purpose	730,233
Time Restricted by Donors	1,331,384
Designated by Board	285,546
Total Financial Assets Available for General Expenditure Within One Year	$ 2,121,881

CBMM maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. When necessary CBMM may use debt funding to meet general expenditures. CBMM has a $1,000,000 line of credit available to meet cash flow needs.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are part of CBMM's capital and operating fundraising efforts. Unconditional promises to give at February 28, 2025 consist of the following:

Amounts due in:	
Less than one year	$ 952,038
One to five years	546,000
Five years or more	---
Total gross unconditional promises to give	$ 1,498,038
Gross unconditional promises to give	$ 1,498,038
Less allowance for uncollectible promises to give	(74,903)
Less unamortized discount	(99,414)
Total unconditional promises to give	$ 1,323,721

NOTE 3 - CONTRIBUTIONS RECEIVABLE (CONTINUED)

CBMM evaluated fiscal year 2025 collections together with the collection records of previous years of the most recent capital campaign and of previous fundraising campaigns and concluded that an allowance for uncollectible unconditional promises receivable of $74,903 was necessary.

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a risk-free rate of return based on the corresponding Treasury note rate plus one-half percent (0.5%).

NOTE 4 - CREDIT RISK

The total cash balances are insured by the FDIC up to $250,000 per bank. CBMM has cash balances on deposit at February 28, 2025 that exceeds the balance insured by the FDIC by approximately $1,400,000. CBMM believes it is not exposed to any significant credit risk on cash and cash equivalents and has not experienced any losses on such accounts.

NOTE 5 - PROPERTY AND EQUIPMENT

The major classes of fixed assets and the estimated useful lives for depreciation purposes for the year ended February 28, 2025 are as follows. Land and construction in progress are not depreciated.

Classification		Life/Years
Land	$ 3,832,539	---
Land Improvements	4,587,019	20
Buildings	23,086,117	25-40
Furniture and Equipment	1,586,667	5-10
Exhibits	2,885,255	10
Non-Accessioned Boats	930,350	20-40
Intangibles	460,000	15
Construction in Progress	369,850	---
Total Cost	37,737,797	
Accumulated Depreciation	(19,866,001)	
Net Property and Equipment	$ 17,871,796	

The State of Maryland retains an historical easement on the Small Boat Shed and the historic bugeye, Edna E. Lockwood. The State also has a maintenance lien on the Knapps Narrows Bridge in the instance prescribed maintenance is not performed by CBMM.

NOTE 6 - TRUSTS AND BEQUESTS

Split-interest agreement receivables at February 28, 2025 consist of the following:

Charitable Lead Unitrust	$ 130,331
Charitable Remainder Unitrusts	34,513
Total Split-Interest Agreement Receivables	$ 164,844

Charitable Lead Unitrust

This trust was recorded at its net realizable value using a 6.25% interest rate based on a risk-free rate of return. At February 28, 2025, quarterly distributions for thirty years are shown net of discount as a split-interest receivable in the total above:

Receivable in Less than One Year	$ 26,216
Receivable in One to Five Years	104,863
Receivable in More than Five Years	26,216
Total Distributions Receivable	157,295
Less Discounts to Net Present Value	(26,964)
Net Distribution Receivable at February 28	$ 130,331

Charitable Remainder Trusts

CBMM is the irrevocable beneficiary of one charitable remainder annuity trust and one charitable remainder trust. These trusts are permanently restricted for the endowment and were recorded as capital campaign contributions based on CBMM's charitable remainder interest of the trust as calculated at the date of the donation and based on the life expectancy of the income beneficiaries. The trusts receivable at February 28, 2025 were $34,513.

Other Trusts and Bequests

Several donors have notified CBMM that it will be a beneficiary of various trust agreements. CBMM's policy is to recognize such contributions if the beneficiary designation is irrevocable and the contribution amount can be estimated.

NOTE 7 - FAIR VALUE MEASUREMENTS

The following table presents CBMM's fair value hierarchy for the assets and liabilities measured at fair value on a recurring basis as of February 28, 2025:

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Investments:				
Money Market and Cash Equivalents	$ 1,212,119	$ ---	$ ---	$ 1,212,119
Common Stock	4,770	---	---	4,770
Large/Mid Cap Equity	8,920,843	---	---	8,920,843
Small Cap Mutual Funds	2,198,139	---	---	2,198,139
International Equity Mutual Funds	4,638,493	---	---	4,638,493
Real Return Mutual Funds	1,137,455	---	---	1,137,455
Domestic Fixed Income	1,117,848			1,117,848
MSCF Investment	---	---	25,000	25,000
Total Investments	19,229,667	---	25,000	19,254,667
Planned Gift Investments:				
Cash Surrender Value, Life Insurance	---	---	11,267	11,267
Total Planned Gift Investments	---	---	11,267	11,267
Contribution Receivable – Beneficial Interest in Charitable Lead Unitrust	---	130,331	---	130,331
Contribution Receivable – Beneficial Interest in Charitable Remainder Trust	---	---	34,513	34,513
Total Beneficial Interest In Trusts Receivable	---	130,331	34,513	164,844
Total Assets at Fair Value	$ 19,229,667	$ 130,331	$ 70,780	$ 19,430,778

NOTE 7 - FAIR VALUE MEASUREMENTS (CONTINUED)

Assets measured at fair value on a recurring basis using unobservable inputs (Level 3):

	Mid-Shore Community Foundation Investment	Contribution Receivable - Beneficial Interest in Charitable Remainder Trust	Cash Surrender Value, Life Insurance
February 29, 2024	$ 25,000	$ 34,513	$ 9,625
Gains (Losses)	---	---	1,642
Purchases	---	---	---
Settlements	---	---	---
February 28, 2025	$ 25,000	$ 34,513	$ 11,267

NOTE 8 - LONG TERM DEBT

In May 2023, CBMM secured a loan of $1,500,000 to smooth the cash flows related to construction of its new Welcome Center and the collection of related promises to give. The loan is collateralized by assets of CBMM and requires monthly payments of principal and interest until maturity on May 23, 2028. Interest accrues at a variable rate equal to the sum of the daily BSBY Rate plus 135 basis points; 5.714% at February 28, 2025. The repayment schedule generally follows the anticipated collection of the related promises to give and may be prepaid without penalty.

In November 2024, CBMM secured a loan of $108,225 for the acquisition and implementation of DataRails software. The loan requires monthly principal payments of $3,280 until maturity in December 2027. No interest is accrued.

In December 2024, CBMM secured a loan of $214,051 for the acquisition and installation of a new fire-alarm system. The loan requires monthly payments of principal and interest of $4,403 until maturity in January 2030. Interest accrues at a fixed rate of 8.61% per year.

In January 2025, CBMM acquired collection items directly from an artist. The acquisition requires CBMM to make annual payments to the artist of $18,000 until maturity in January 2039. The total obligation for the acquisition was $270,000.

NOTE 8 - LONG TERM DEBT (CONTINUED)

The future scheduled maturities of long term debt are as follows as of February 28, 2025:

2026	$ 393,665
2027	396,918
2028	390,625
2029	164,972
2030	60,342
Thereafter	162,000
Total	$ 1,568,522

NOTE 9 - ENDOWMENT

Endowment net asset composition by type of fund as of February 28, 2025 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment Funds	$ 3,769,032	$ ---	$ 3,769,032
Donor Restricted Endowment Funds			
Original Donor Restricted Gift Amounts Required to be Maintained in Perpetuity by Donor	---	15,941,062	15,941,062
Accumulated Investment Gain	---	2,520,428	2,520,428
Total	$ 3,769,032	$ 18,461,490	$ 22,230,522

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	$ 3,632,791	$ 17,672,530	$ 21,305,321
Contributions	6,186	154,558	160,744
Net Appreciation (Depreciation)	290,967	1,420,490	1,711,457
Transfers	---	---	---
Distributions	(160,912)	(786,088)	(947,000)
Endowment Net Assets, End of Year	$ 3,769,032	$ 18,461,490	$ 22,230,522

NOTE 9 - ENDOWMENT (CONTINUED)

Certain donor-restricted endowment funds may sometimes have fair values less than the amount required to be maintained by donors or by law (underwater endowments). CBMM has interpreted UPMIFA to allow spending from underwater endowments in accordance with prudent measures required by law. Net assets with donor restrictions include funds with original gift values of $1,974,784, fair value of $1,785,240, and deficiencies of $189,544.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets are restricted as follows at February 28, 2025:

	Purpose Restricted Endowment	Other Purpose Restrictions	Perpetual Restrictions	Total
Library, Curatorial & Exhibitions	$ 732	$ 44,585	$ 292,225	$ 337,542
Historic Vessels	65,991	19,317	564,708	650,016
Scholarships	38,558	---	2,238,244	2,276,802
Educational Programs	101,750	11,448	1,825,293	1,938,491
Apprenticeship Program	42,763	---	74,043	116,806
Building & Campus	1,223,453	601,276	4,777,380	6,602,109
General	1,047,180	---	6,169,170	7,216,350
	$ 2,520,427	$ 676,626	$ 15,941,063	19,138,116
Time Restrictions				1,331,384
Split-Interest Agreement				164,844
Total				$ 20,634,344

NOTE 11 - SPECIAL EVENTS INCOME

During the year ended February 28, 2025, CBMM hosted one special event, the Boating Party.

Revenues:	
Contributions	$ 476,868
Special Event Revenue	35,028
Total Revenues	511,896
Less: Expenses	(146,467)
Increase in Net Assets Without Donor Restrictions	$ 365,429

NOTE 12 - EMPLOYEE BENEFIT PLANS

CBMM established a 403(b) defined contribution plan with TIAA as of January 1, 1988. Employees working more than 1,040 hours in a calendar year are eligible to participate in the plan. Eligible employees may defer wages to the plan immediately upon hire, in amounts up to IRS prescribed annual limits. CBMM makes a discretionary contribution on behalf of employees that meet additional eligibility guidelines. To receive the company contribution an employee must have completed two continuous years of service and must actively defer at least 3% of their wages into the plan. The Board of Governors approved a company contribution equal to 3% of eligible wages for the fiscal year ended February 28, 2025.

Effective July 25, 2006, CBMM established a 457(b) private plan (deferred compensation) with TIAA. A 457(b) private plan is a retirement plan for highly compensated executives eliminating the twenty-four month waiting period requirement for CBMM's contribution.

All contributions are funded as accrued or withheld. CBMM's contribution for the year ended February 28, 2025 was $54,492.