

Old Dartmouth Historical Society

Also Known As “The New Bedford Whaling Museum”

Financial Statements and Additional Information (with Independent Auditors’ Report Thereon)

December 31, 2023 and 2022



| Allan Smith & Company, CPAs PC

**OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)**

***Financial Statements
and Additional Information***

Table of Contents

Financial statements:

Independent auditors’ report	1 – 3
Statements of financial position	4
Statements of activities	5 - 6
Statements of functional expenses	7 - 8
Statements of cash flows	9
Notes to financial statements	10 - 38

Information required by Government Auditing Standards:

Independent auditors’ report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <u>Government Auditing Standards</u>	39 - 40
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Independent Auditors' Report

To the Board of Trustees
Old Dartmouth Historical Society
(also known as "The New Bedford Whaling Museum")
New Bedford, Massachusetts

Report on the audit of the financial statements:

Opinion:

We have audited the accompanying financial statements of Old Dartmouth Historical Society (also known as "The New Bedford Whaling Museum") (a Massachusetts not-for-profit organization) (hereinafter "Society") 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 present fairly, in all material respects, the financial position of the Society as of December 31, 2023 and 2022 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion:

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Society 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 opinions.

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.

Responsibilities of management for the financial statements - continued:

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 Society’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors’ responsibilities for the audit of the financial statements:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government 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 Society’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 Society’s ability to continue as a going concern for a reasonable period of time.

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

To the Board of Trustees
Old Dartmouth Historical Society
(also known as "The New Bedford Whaling Museum")
Page three

Other reporting required by Government Auditing Standards:

In accordance with Government Auditing Standards, we have also issued our report dated April 29, 2024, on our consideration of the Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Society's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Society's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "All. Smith & Company CPAs PC". The signature is written in a cursive, flowing style.

Allan Smith and Company, CPAs PC
Stoughton, Massachusetts
April 29, 2024

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as "The New Bedford Whaling Museum")

Statements of Financial Position

December 31, 2023 and 2022

	December 31,	
<u>Assets:</u>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 937,191	\$ 1,190,473
Restricted cash	30,759	30,749
Accounts receivable	1,292,921	150,705
Pledges receivable net, current portion	588,326	738,124
Inventory	138,263	95,977
Prepaid expenses	170,058	76,595
Total current assets	3,157,518	2,282,623
Long-term assets:		
Land, buildings, and equipment, net	14,043,520	14,323,318
Right-of-use assets, net	100,592	98,839
Long-term investments	18,577,693	16,354,325
Pledges receivable, net of current portion	1,182,799	1,091,399
Charitable remainder trust receivable	418,805	420,445
Beneficial interest in perpetual trusts	716,269	641,088
Total long-term assets	35,039,678	32,929,414
Total assets	\$ 38,197,196	\$ 35,212,037
<u>Liabilities and net assets:</u>		
Current liabilities:		
Accounts payable	\$ 201,170	\$ 248,186
Accrued expenses	16,075	13,867
Liability under split-interest agreements	9,344	16,151
Deferred revenue	573,763	648,110
Contract liabilities	108,839	68,346
Note payable, current portion	3,317	3,227
Operating lease liabilities, current portion	54,676	52,312
Total current liabilities	967,184	1,050,199
Long-term liabilities:		
Custodial funds	30,759	30,749
Long-term note payable, net of current portion	152,469	156,510
Operating lease liabilities, net of current portion	47,923	46,528
Total long-term liabilities	231,151	233,787
Total liabilities	1,198,335	1,283,986
Net assets:		
Without donor restrictions	28,142,269	26,426,597
With donor restrictions	8,856,592	7,501,454
Total net assets	36,998,861	33,928,051
Total liabilities and net assets	\$ 38,197,196	\$ 35,212,037

See accompanying notes to financial statements.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as "The New Bedford Whaling Museum")

Statement of Activities

Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Operations:</u>			
Revenue and support:			
Admissions	\$ 777,279	\$ -	\$ 777,279
Membership, programs, and unrestricted support	2,627,346	-	2,627,346
Grants and restricted support	1,321,177	102,900	1,424,077
Museum store	361,197	-	361,197
Investment return allocated to operations per spending policy	584,322	274,722	859,044
Contributions of non-financial assets	520,778	-	520,778
Other earned income, net	320,830	-	320,830
Total revenue and support from operations	6,512,929	377,622	6,890,551
<u>Expenses:</u>			
Collections and exhibitions	2,225,002	-	2,225,002
Museum learning and public programs	1,103,749	-	1,103,749
Library, scholarship, and digital engagement	541,779	-	541,779
Membership, visitor services, and museum store	802,329	-	802,329
Management and general	1,138,621	-	1,138,621
Fundraising	447,848	-	447,848
Total expenses from operations	6,259,328	-	6,259,328
Net assets released from restrictions for operations	289,722	(289,722)	-
Change in net assets from operations	543,323	87,900	631,223
<u>Other non-operational activities:</u>			
Contributions for non-operational purposes and related expenses:			
Campaign (expenses) contributions	(111,987)	1,401,243	1,289,256
Endowment contributions	-	776,412	776,412
Depreciation expense	(1,045,982)	-	(1,045,982)
Interest expense	(3,741)	-	(3,741)
Total contributions for capital purposes and related expenses	(1,161,710)	2,177,655	1,015,945
Deaccession (accession) of objects for collection:			
(Accession) deaccession of objects for collection	(84,408)	7,904	(76,504)
Releases of restrictions for the purpose of collections	84,408	(84,408)	-
Accession of objects for collection, net	-	(76,504)	(76,504)
Non-operational net assets released from restrictions	1,356,876	(1,356,876)	-
Net investment return	1,554,698	730,950	2,285,648
Less: Investment return allocated to operations per spending policy	(584,322)	(274,722)	(859,044)
Change in value of split interest agreements	6,807	66,735	73,542
Change in non-operational activities	1,172,349	1,267,238	2,439,587
Change in net assets	1,715,672	1,355,138	3,070,810
Net assets, beginning	26,426,597	7,501,454	33,928,051
Net assets, ending	\$ 28,142,269	\$ 8,856,592	\$ 36,998,861

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as "The New Bedford Whaling Museum")

Statement of Activities

Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Operations:</u>			
Revenue and support:			
Admissions	\$ 609,461	\$ -	\$ 609,461
Membership, programs, and unrestricted support	1,605,116	-	1,605,116
Grants and restricted support	1,438,715	-	1,438,715
Museum store	313,445	-	313,445
Investment return allocated to operations per spending policy	555,153	232,683	787,836
Contributions of non-financial assets	449,610	-	449,610
Other earned income, net	175,472	-	175,472
Total revenue and support from operations	5,146,972	232,683	5,379,655
Expenses:			
Collections and exhibitions	1,737,716	-	1,737,716
Museum learning and public programs	1,260,696	-	1,260,696
Library, scholarship, and digital engagement	456,505	-	456,505
Membership, visitor services, and museum store	701,074	-	701,074
Management and general	976,821	-	976,821
Fundraising	418,733	-	418,733
Total expenses from operations	5,551,545	-	5,551,545
Net assets released from restrictions for operations	247,897	(247,897)	-
Change in net assets from operations	(156,676)	(15,214)	(171,890)
<u>Other non-operational activities:</u>			
Contributions for non-operational purposes and related expenses:			
Campaign contributions	(259,188)	2,508,697	2,249,509
Endowment contributions	-	596,019	596,019
Depreciation expense	(993,142)	-	(993,142)
Interest expense	(9,521)	-	(9,521)
Total contributions for capital purposes and related expenses	(1,261,851)	3,104,716	1,842,865
Deaccession (accession) of objects for collection:			
(Accession) deaccession of objects for collection	(129,312)	33,372	(95,940)
Releases of restrictions for the purpose of collections	129,312	(129,312)	-
Accession of objects for collection, net	-	(95,940)	(95,940)
Non-operational net assets released from restrictions	638,550	(638,550)	-
Net investment return	(1,748,148)	(732,550)	(2,480,698)
Less: Investment return allocated to operations per spending policy	(555,153)	(232,683)	(787,836)
Change in value of split interest agreements	54,789	(338,797)	(284,008)
Change in non-operational activities	(2,871,813)	1,066,196	(1,805,617)
Change in net assets	(3,028,489)	1,050,982	(1,977,507)
Net assets, beginning	29,455,086	6,450,472	35,905,558
Net assets, ending	\$ 26,426,597	\$ 7,501,454	\$ 33,928,051

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as "The New Bedford Whaling Museum")

Statement of Functional Expenses

Year Ended December 31, 2023

	Collections and Exhibitions	Museum Learning and Public Programs	Library, Scholarship, and Digital Engagement	Membership, Visitor Services, and Museum Store	Total Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 1,032,011	\$ 307,964	\$ 315,370	\$ 430,499	\$ 2,085,844	\$ 597,213	\$ 316,788	\$ 2,999,845
Consultants, professional fees, and stipends	51,782	93,477	26,709	925	172,893	218,297	7,315	398,505
Contributions of non-financial assets	2,523	441,282	64,920	-	508,725	-	12,053	520,778
Exhibitions and collections care activities	276,815	400	-	-	277,215	-	-	277,215
Student transportation and program travel	7,784	28,543	-	103,934	140,261	-	-	140,261
Supplies	42,875	15,071	58,936	54,097	170,979	14,982	4,031	189,992
Publications	-	-	25,110	-	25,110	-	-	25,110
Information technology	139,085	-	47,223	-	186,308	-	-	186,308
Occupancy and insurance	562,651	94,617	-	-	657,268	104,257	-	761,525
Cost of goods sold - museum store	-	-	-	143,849	143,849	-	-	143,849
Marketing, printing, and postage	72,731	71,989	2,431	59,024	206,175	17,406	17,746	241,327
Catering, meals, and entertainment	7,943	41,270	-	4,589	53,802	8,058	43,056	104,916
All other expenses	28,802	9,136	1,080	5,412	44,430	178,408	46,859	269,697
Total expenses from operations	\$ 2,225,002	\$ 1,103,749	\$ 541,779	\$ 802,329	\$ 4,672,859	\$ 1,138,621	\$ 447,848	\$ 6,259,328

See accompanying notes to financial statements.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as "The New Bedford Whaling Museum")

Statement of Functional Expenses

Year Ended December 31, 2022

	Collections and Exhibitions	Museum Learning and Public Programs	Library, Scholarship, and Digital Engagement	Membership, Visitor Services, and Museum Store	Total Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 899,417	\$ 463,714	\$ 276,314	\$ 328,805	\$ 1,968,250	\$ 561,585	\$ 334,854	\$ 2,864,689
Consultants, professional fees, and stipends	17,565	68,316	21,233	40,164	147,278	167,073	2,500	316,851
Contributions of non-financial assets	839	399,994	48,122	-	448,955	-	655	449,610
Exhibitions and collections care activities	174,985	-	-	-	174,985	-	-	174,985
Student transportation and program travel	7,139	16,062	911	114,474	138,586	-	-	138,586
Supplies	26,503	14,462	7,973	8,504	57,442	9,889	3,225	70,556
Publications	-	-	42,850	-	42,850	-	-	42,850
Information technology	28,013	-	29,813	649	58,475	-	-	58,475
Occupancy and insurance	458,954	67,493	-	-	526,447	73,036	-	599,483
Cost of goods sold - museum store	-	-	-	145,200	145,200	-	-	145,200
Marketing, printing, and postage	69,787	207,281	332	49,319	326,719	1,036	19,612	347,367
Catering, meals, and entertainment	25,742	12,872	38	8,739	47,391	4,108	33,603	85,102
All other expenses	28,772	10,502	28,919	5,220	73,413	160,094	24,284	257,791
Total expenses from operations	\$ 1,737,716	\$ 1,260,696	\$ 456,505	\$ 701,074	\$ 4,155,991	\$ 976,821	\$ 418,733	\$ 5,551,545

See accompanying notes to financial statements.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as "The New Bedford Whaling Museum")

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	Years Ended December 31,	
	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 3,070,810	\$ (1,977,507)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,045,982	993,142
Changes in beneficial interest in perpetual trusts	(75,182)	190,965
Unrealized (gains) losses on investments and split interest agreements	(1,741,012)	3,459,481
Realized gain on sale of investments	(279,169)	(482,302)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(1,142,216)	(31,736)
Pledges receivable net of collections for long-lived assets	(208,467)	(1,965,375)
Inventory	(42,286)	(4,147)
Prepaid expenses	(93,463)	(5,733)
Charitable remainder trust receivable	1,640	93,043
Increase (decrease) in liabilities:		
Accounts payable	(47,016)	133,056
Accrued expenses	2,208	(202,854)
Liability under split-interest agreements	(6,807)	(54,789)
Deferred revenue	(74,347)	(1,528)
Contract liabilities	40,493	5,695
Custodial funds	10	23
Total adjustments	(2,619,632)	2,126,941
Net cash provided by operating activities	451,178	149,434
Cash flows from investing activities:		
Land, buildings, equipment acquisitions, and construction in progress	(766,184)	(945,467)
Purchases of long-term investments	(2,242,831)	(3,244,534)
Sales of long-term investments	2,041,651	3,140,452
Net cash used in investing activities	(967,364)	(1,049,549)
Cash flows from financing activities:		
Proceeds from notes payable	-	8,769
Collections of pledges for long-lived assets	266,865	266,865
Principal payments on notes payable	(3,951)	(530)
Net cash provided by financing activities	262,914	275,104
Net decrease in cash, cash equivalents, and restricted cash	(253,272)	(625,011)
Cash, cash equivalents, and restricted cash, beginning of year	1,221,222	1,846,233
Cash, cash equivalents, and restricted cash, end of year	\$ 967,950	\$ 1,221,222
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid during the year for interest	\$ 4,465	\$ 753
<u>Reconciliation of cash balances:</u>		
Cash and cash equivalents	\$ 937,191	\$ 1,190,473
Restricted cash	30,759	30,749
Cash and cash equivalents, end of year	\$ 967,950	\$ 1,221,222

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

1. Organization and summary of significant accounting policies:

Organization and nature of operations:

Old Dartmouth Historical Society (hereinafter “Society”) is a Massachusetts not-for-profit corporation established in 1903. The Society’s mission is to “ignite learning through explorations of art, history, science, and culture rooted in the stories of people, the region, and an international seaport”. The Society is commonly referred to as The New Bedford Whaling Museum, or The Whaling Museum.

The Society houses one of the world’s most distinguished collections of maritime art and history, spanning five (5) centuries. The collections are of local, regional, national, and international significance. The collection has two (2) categories. The first category is related to the history of whaling. The Society has, by far, the world’s largest and best developed holding of whaling related artifacts. The second category is the interpreted social and economic history of the region.

A summary of significant accounting policies consistently applied in the preparation of the financial statements follows:

Basis of financial reporting:

The Society prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (hereinafter “U.S. GAAP”).

Use of estimates and assumptions:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Society’s management to make estimates and assumptions. These affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include the valuation assumptions associated with the charitable remainder trust receivable and the valuation assumptions associated with the net realizable value of pledges receivable. Actual results could differ from those estimates and assumptions.

Financial statement presentation:

The financial statements are presented on the accrual basis and in accordance with the reporting principles of not-for-profit accounting. Accordingly, net assets of the Society and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed (or certain grantor) restrictions and may be expended for any purpose in performing the primary objectives of the Society. These resources are comprised of public support and program revenues which are available and used for operations and programming. The governing board of the Society may elect to designate such resources for specific purposes. This designation may be removed at the Board of Trustees’ discretion.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

1. Organization and summary of significant accounting policies – continued:

Financial statement presentation - continued:

Net assets with donor restrictions – Net assets which include resources subject to donor-imposed (or certain grantor) restrictions. Some donor-imposed restrictions either expire with the passage of time and/or can be fulfilled and removed by the actions of the Society to comply with the donor-imposed restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions in the period in which the donor-imposed stipulations are met or the stipulated time restrictions have passed, or both. Resources of this nature originate from contributions, grants, bequests, contracts, and investment income earned on donor restricted funds.

Grants, which are limited to the use of various programs, are reflected as a component of net assets without donor restrictions if the funds are received and spent during the same year and if they support the activities of the Society within the limits of the Society’s articles of organization. Grant and contract receipts in excess of revenue recognized are presented as deferred revenue or contract liabilities. Gifts of long-lived assets with explicit restrictions that specify how the donated assets must be used, as well as gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. The Society reports the expiration of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash and cash equivalents:

For purposes of the Statements of Cash Flows, the Society considers all highly liquid debt instruments and money market funds with a maturity of three (3) months or less when purchased, other than those held in the investment portfolio, to be cash equivalents.

Accounts receivable and uncollectible accounts:

Accounts receivable and contract assets are presented at net realizable value with an allowance for doubtful accounts. Accounts receivable at the Statements of Financial Position date are stated at the amounts expected to be collected. The Society evaluates its accounts receivable and contract assets and establishes its allowance for doubtful accounts, if necessary, based on its history of past write-offs and collections by payor and considering current economic and credit conditions. Accounts are written off and charged against the allowance when management believes that the collectability of the specific account is unlikely.

Pledges receivable:

The Society carries its pledges receivable at net present value less an allowance for uncollectible pledges, if appropriate. On a periodic basis, all pledges are evaluated for collectability and are written off after it is evident that the collection effort has little or no chance of near-term success. Based on this review, the Society evaluates its pledges receivable and adjusts its allowance for uncollectible pledges based on its history of past write-offs, donor-specific collections, and current economic and credit conditions. At December 31, 2023 and 2022, the allowance for uncollectible accounts was \$-. It is reasonably possible that the Society’s estimate of the allowance for uncollectible pledges will change.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

1. Organization and summary of significant accounting policies – continued:

Pledges receivable - continued:

Pledges receivable are made primarily by individuals located throughout Southeastern Massachusetts and are reflected at the present value of estimated future cash flows using a risk adjusted discount rate.

Inventory:

Inventories are stated at average cost and reduced to net realizable value as appropriate.

Land, buildings, and equipment:

Land, buildings, and equipment are stated at cost at the date of acquisition or fair value at the date of donation, in the case of gifts. Expenditures that significantly add to the productivity or extend the useful lives of buildings and equipment are capitalized. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred.

The Society performs an informal capital needs assessment on a routine basis. Currently, the long-lived assets held require no significant scheduled maintenance that has not been contemplated in the long-term capital budgeting process. The cost of routine and non-routine maintenance is funded on a “pay as you go” basis.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	10 – 50 years
Improvements	5 – 18 years
Furniture and equipment	5 – 20 years
Vehicles	5 years

Leases and right-of-use assets and liabilities:

The Society is a lessee in lease contracts where it obtains the right to control the asset. Operating lease right-of-use (hereinafter "ROU") assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease; both of which are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date of the lease. Leases with a lease term of twelve (12) months or less at inception are not recorded in the Statements of Financial Position but are expensed on a straight-line basis over the lease term in the Statements of Activities. The Society determines the lease term by assuming the exercise of renewal options that are reasonably certain at the lease inception date. The Society's lease does not provide an implicit interest rate and, therefore, the Society uses the local incremental borrowing rate based on the information available at the commencement date in determining the present value of future payments. If a lease contract contains lease and non-lease components, the Society accounts for both components as a single lease component.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

1. Organization and summary of significant accounting policies – continued:

Investments and endowment matters:

The long-term focus of the Society’s investment portfolio is to support the Society’s mission by providing a reliable source of funds for current and future use.

The Society records investments at fair market value which represents the value on the date of donation, or the cost on the date of purchase, plus reinvested earnings and appreciation or depreciation. Investment securities are reported at fair value as described in Note 14. Investments denominated in foreign currency are translated at the year-end spot rate.

Income from pooled investments, realized gains and losses, and unrealized appreciation and depreciation on security transactions are allocated among individual funds with or without donor restrictions on the basis of the respective percentage share in the fund balance which exists at the beginning of each month in which income, realized gains or losses, and unrealized appreciation and depreciation are earned. Realized and unrealized gains and losses are reported in the Statements of Activities. Realized gains and losses are determined on the basis of average cost of securities sold based on purchases and sales reflected on a trade-date basis. Investment income or loss (interest, dividends, realized and unrealized gains and losses) is recognized as non-operational revenue in the accounting period in which it occurs. Dividend income is recorded on the ex-dividend date, and interest income is recorded on an accrual basis. Net investment income and loss is reported in the Statements of Activities and consists of interest and dividend income, as well as realized and unrealized capital gains and losses, less external and direct internal investment expenses.

The Society’s investment funds, which include equity funds and fixed income funds, consist of the Society’s ownership interest in externally managed funds which may be invested in less liquid investments. The fair value of these investments is determined by the closing price on the active market in which the individual securities are traded; the Society considers this a reasonable estimate of fair value as of December 31, 2023 and 2022. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements.

The Society maintains endowment investment funds with donor restrictions that are reported in accordance with the reporting principles of not-for-profit accounting and consistent with the *Uniform Prudent Management of Institutional Funds Act of 2006* (hereinafter “UPMIFA”) effective June 30, 2009, when adopted by the Commonwealth of Massachusetts. UPMIFA is a model act approved by the Uniform Law Commission, formerly known as the National Conference of Commissioners on Uniform State Laws, that serves as a guideline for states to use in enacting legislation.

The Board of Trustees of the Society has interpreted UPMIFA, as adopted by the Commonwealth of Massachusetts, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent of explicit donor stipulations to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds the Society considers the value of a fund to be deficient if the fair value of the fund is less than the sum of (a) the original value of gifts donated to the fund, (b) the original value of subsequent gifts to the fund, and (c) accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Society has interpreted UPMIFA to permit spending from deficient funds in a manner consistent with the standard of prudence prescribed by UPMIFA.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

1. Organization and summary of significant accounting policies – continued:

Investments and endowment matters - continued:

In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: 1.) the duration and preservation of the funds, 2.) the purposes of the Society and 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 the Society, and 7.) the investment policies of the Society.

The Board of Trustees of the Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. This policy defines the endowment's investment objectives, return and risk parameters, asset allocation ranges and targets, and benchmark performance measurement and evaluation. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity, or for a donor-specified period(s), as well as board-designated funds. Given the relationship between risk and return, a fundamental step in determining the investment policy for the endowment funds is the determination of an appropriate risk tolerance. After taking into consideration such factors as corporate financial stability, uncertainty of cash flows in and out of the endowment funds over the long term, and capital volatility, the Board of Trustees believes a moderate risk strategy is prudent.

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation, realized and unrealized, and current yield, such as interest and dividends. Real total return is defined as the sum of capital appreciation (or loss) and current income (dividends and interest) adjusted for inflation by the U.S. Consumer Price Index. Actual returns in any given year may vary from this amount. The Society targets a diversified asset allocation among various financial instruments and asset categories and uses multiple investment strategies to achieve its long-term return objectives within prudent risk constraints.

Under this policy, as approved by the Board of Trustees and routinely reviewed, the endowment assets are intended to maximize real total return over the long term (rolling five (5) year periods) while minimizing the risk of not achieving returns over any twelve (12) month period through the diversification of investments within the prescribed classes. The Society's investment manager targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

As approved by its Investment Committee, the Society has in recent years, including 2023 and 2022, appropriated for distribution between four-point five percent (4.50%) and four-point seven-five percent (4.75%) of its endowment fund's year-end fair value over the prior three (3) years through the preceding year-end and adjusted for significant new gifts to the endowment. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow at the total return less the spending policy. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets held in perpetuity, or for a specified term, as well as to provide additional real growth through new gifts and investment return.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

1. Organization and summary of significant accounting policies – continued:

Split interest agreements:

The Society is the beneficiary of various split interest agreements as follows:

Beneficial Interest in Perpetual Trust - The Society records a beneficial interest in a perpetual trust at the fair value of the assets contributed to the trust, at the time the Society is notified of the trust's existence. Annual changes to the market value of the assets are recognized as a component of the change in the value of split interest agreements with donor restrictions.

Charitable Remainder Trusts - The Society records a receivable for charitable remainder trust agreements for which the Society is a beneficiary, but not the trustee, of the assets. These trusts are created by donors, independent of the Society, and are neither in the possession of nor under the control of the Society. The trusts are administered by outside fiscal agents as designated by the donor. The receivable is recorded at the present value of the anticipated residual interest in the trust and discounted at the rate commensurate with the risks involved. Upon termination of the trusts, the Society will receive a specified portion of the remaining trust assets.

Charitable Gift Annuities - The Society records assets received under charitable gift annuity agreements, included in investments, at the fair market value of the assets when the assets are received by the Society as trustee. Under charitable gift annuity contracts, the Society receives irrevocable title to contributed assets and agrees to make fixed period payments over various periods, generally the life of the donor. In conjunction with these gifts, the Society records a liability, included in liability under split-interest agreements, equal to the present value of future cash flows expected to be paid to the income beneficiaries based upon the actuarial expected lives of the beneficiaries. The assets to fund these liabilities to donors are included as investments and are maintained in a separate and distinct fund. The discount rate used to calculate the present value of the obligations was three percent (3%) at December 31, 2023 and 2022. The excess of contributed assets over the annuity liability is recorded as contribution revenue without donor restrictions. The liabilities are adjusted annually for changes in the life expectancy of the income beneficiary, amortization of the discount, and other changes in the estimates of future payments. The resulting changes are recorded as a change in the value of the split interest agreements without donor restrictions. Upon the donor's death the remaining liability is recognized as contribution revenue without donor restrictions.

Pooled Life Income Fund - The Society manages a pooled life income fund, included in investments, which is divided into units based on contributions from donors. Donors are assigned a specific number of units based on the proportion of the fair market value of the contribution to the total fair market value of the fund. The donor receives a portion of the actual income earned on those units, included in liability under split-interest agreements, until his or her death. At that time the value of the units assigned to the donor will be available to the Society without restriction.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

1. Organization and summary of significant accounting policies – continued:

Revenue recognition:

The Society’s significant revenue streams are as follows:

Admissions – The Society recognizes admissions revenue for entry and visitation of the museum galleries at the agreed-upon price at a point in time.

Membership – The Society recognizes membership revenue that includes certain tangible benefits to membership that are quantified separately. The assigned value to the benefits received from membership of the Society is recognized ratably over the membership term, which is generally one (1) year. In addition, the cost of membership includes an unconditional contribution to the Society which is recognized when received.

Programs – The Society recognizes program revenue at an amount that reflects consideration which the Society expects to be entitled to in exchange for transferring goods or services to the patron. Due to the nature and varying performance obligations of these contracts, the timing and methods of recognizing revenue from these contracts may vary. Revenue may be recognized ratably over time or at a point in time based on the specific contract provisions.

Contributions – The Society recognizes unconditional contributions as revenues in the period received and they are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Unconditional contributions include promises to give, those that do not include a measurable performance-related or other barrier or are those in which the Society has unlimited discretion over how the contribution should be spent. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions that include a measurable barrier or those for which the Society has limited discretion over how the contribution should be spent, and where there exists a right of return or release of future obligations, are considered conditional contributions. Conditional contributions are not recognized until they become unconditional, that is, when the conditions surrounding the indications of the barrier have been met. Contributions of publicly traded securities are recorded at their fair value at the time of donation. It is the Society’s policy to convert contributions of marketable securities to cash as soon as practical and prudent, and record them at their estimated fair value at the date of donation. Unconditional promises to give that are expected to be collected within one (1) year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate adjusted for a market risk premium or the credit worthiness of each donor. Amortization of the discounts is recorded as interest income over time.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

1. Organization and summary of significant accounting policies – continued:

Revenue recognition - continued:

Government and private grants and contracts – The Society recognizes revenue from government and private grants and contracts as either exchange transactions (if the resource provider receives commensurate benefit) or conditional contributions. Such revenue is recognized over the period of the performance as qualified allowable costs are incurred. Conditional grant awards, having both the existence of a barrier and right of return to the resource provider, are classified as refundable advances when received as a cash advance and are recognized as revenue when the awards are expended for the purpose of the grant or other conditions are satisfied. Conditional grant awards, having both the existence of a barrier and right of return to the resource provider, are classified as refundable advances when received as a cash advance and are recognized as revenue when the Organization has substantially met the conditions of the grant or when the conditions have been explicitly waived by the donor. Government grants and contracts are subject to audit by federal and state agencies. For performance reporting contracts, the grantor pays the agreed upon amounts after the completion and submission of specified deliverables in the contract. For these contracts, the Society will allocate the transaction price of the contract to the specific performance obligations based on the contract. The Society recognizes revenue over time when the performance obligations are met and delivered to the grantor. There are no significant contract assets at December 31, 2023 and 2022.

Contributed non-financial assets – The Society recognizes in-kind goods and services revenue at a point in time when contributions of assets other than cash are received. Goods and services received are recorded at their estimated fair value at the date received.

Generally, revenues from sources other than contributions are reported as increases in net assets without donor restrictions.

Remaining performance obligations:

The Society does not disclose the value of unsatisfied performance obligations for contracts with an original contract term of one (1) year or less, or for variable consideration allocated to the unsatisfied performance obligation of a series of services. The Society’s remaining performance obligations not subject to the practical expedients were not significant at December 31, 2023 and 2022.

Income taxes:

The Society is generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined not to be a private foundation. The Society is also exempt from Massachusetts income tax. Therefore, no provision for income taxes has been made in the accompanying financial statements. Contributions to the Society qualify for a Federal charitable contribution deduction.

The Society will file not-for-profit tax returns in the U.S. federal jurisdiction and the Commonwealth of Massachusetts where they operate and solicit funds. The Society is subject to a recognition threshold and measurement attribute for financial statement recording of a tax position taken or expected to be taken in a tax return. At December 31, 2023, the Society believes that it has no significant uncertain tax positions within any of its open tax years.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

1. Organization and summary of significant accounting policies – continued:

Collections:

The collections, which were acquired through purchases and contributions since the Society’s inception, are not recognized as assets on the Statements of Financial Position. The Society, by vote of its Board of Trustees, has adopted a formal Collections Management Policy (hereinafter “Collections Policy”) that is consistent with that recommended by the American Alliance of Museums, its national accreditation organization. Purchases of collection items are recorded as decreases in net assets without restrictions in the year in which the items are acquired, or in net assets with restrictions if the assets used to purchase the items are restricted by donors. The Society provides the resources to ensure the collections are protected and preserved. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset class. The value of items of collection received is not reported as contributions or accessions in the Statements of Activities. Accessions of objects totaled \$84,408 and \$129,312 for the years ended December 31, 2023 and 2022, respectively.

The Collections Policy requires the net proceeds from the sale of deaccessioned objects of the collection be placed in a separate restricted acquisitions fund in the name of the original donor to be used exclusively for the acquisition of new collections items or for “direct care” or preservation of the collections. The Society defines direct care to be 1.) object conservation treatment; 2.) testing and analysis related to object treatment; 3.) materials and supplies related to object treatment; 4.) contract services related to object treatment; 5.) activities to stabilize and ensure existing conditions are not worsened or acute deterioration will not begin; and 6.) appropriate packing, crating, and shipping of newly acquired collection items. Expenditures that do not meet these criteria may not be funded with the proceeds from the deaccession of objects of the collection. The Society sold artifacts, figureheads, and prints in 2023 and 2022 from its collections that were properly deaccessioned. The net proceeds from these sales were \$7,904 and \$33,372 for the years ended December 31, 2023 and 2022, respectively.

Fair value of financial instruments – definition and measurement:

The Society measures certain assets and liabilities in accordance with FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*. As such, fair value is defined as the price that would be received upon sale of an asset, or paid upon transfer of a liability, in an orderly transaction between market participants at the measurement date and in the principal, or most advantageous, market for that asset or liability. The fair value is calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the Society.

ASC Topic 820 establishes a hierarchy prioritizing the inputs used in measuring fair value into three (3) levels based on the extent to which inputs are observable in the market. Each fair value measurement is reported in one of the three (3) levels, which is determined by the lowest level input that is significant to the fair value measurement in its entirety. The three (3) levels of the fair value framework are as follows:

Level I – Quoted prices are available in active markets for identical instruments as of the reporting date. The type of instruments generally included in Level I include listed equity and debt securities publicly traded on a stock exchange.

Level II – Pricing inputs are based on quoted prices for similar instruments in active markets, which are either directly or indirectly observable as of the reporting date, and the fair value is determined through the use of model-based valuation methodologies. Instruments generally included in Level II are less liquid and may include restricted equity securities and over-the-counter derivatives including corporate bonds and loans as well as public company equity securities with legal restrictions.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

1. Organization and summary of significant accounting policies – continued:

Fair value of financial instruments – definition and measurement - continued:

Level III – Pricing inputs are generally unobservable for these instruments and include situations where there is little or no market activity for the instrument. The inputs into the determination of fair value require significant management judgment and reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include discounted cash flow models or similar techniques.

The measurement’s level for any qualifying assets and liabilities within this framework is based upon the lowest level of any input that is significant to the fair value measurement. Most investments classified in Level II and III consist of shares or units of investment funds as opposed to direct investments in the funds’ underlying holdings, which may be marketable. The Society reports transfers between levels as of the end of the reporting period. The classification of investments in the fair value hierarchy is not necessarily an indication of risks, liquidity, or degree of difficulty in estimating the fair value of each investment’s underlying assets and liabilities.

Risks and uncertainties:

The fair values of the Society’s financial instruments have been determined at a specific point in time based on relevant market information as well as information about the financial instrument. Estimates of fair value are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect estimates.

The Society may invest in various types of investment securities in accordance with its formal investment policy monitored by its Board of Trustees. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Operating activities:

Changes in net assets without donor restrictions are classified as either operating activities or non-operating activities. Non-operating activities include investment income (interest and dividend income as well as realized and unrealized gains and losses on investments) reduced by the annual approved investment income draw to support operations, funds released from net assets with donor restrictions to support capital spending, comprehensive campaign activities, the loss on the sale of long-lived assets, depreciation charges not integral to the operations of the Society, and comprehensive collection activities. The measure of operating activities includes a percentage of investment income pursuant to the spending policy as determined and approved on an annual basis by the Board of Trustees. All other activities that are deemed by the administration to be ongoing, major, and central to operations are reported as operating revenues and expenses.

Contributions of non-financial assets:

Contributions of goods and services are recognized when provided by individuals or organizations whose specialized skills would need to be purchased if not provided by donation, or would create or enhance long-lived assets. Such skills include professional services. Contributed goods and services are reflected as contributions at their estimated fair market value at date of receipt if an objective basis exists for recording and assigning value to such donations.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

1. Organization and summary of significant accounting policies – continued:

Functional allocation of expenses:

The costs of providing the various programs and the administration of the Society have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the program services and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses from operating activities that are allocated include facility related, which is allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, collection preservation, education programming, membership, and fundraising, which are allocated on the basis of time and effort estimates.

Reclassifications:

Certain reclassifications have been made to the 2022 financial statements to conform to the current period's financial statement presentation. These reclassifications have no effect on previously reported results of operations or net assets.

Advertising and marketing expense:

The Society reports advertising and marketing expenses as incurred. Advertising and marketing expenses, which may include significant promotional expense for exhibit openings, for the years ended December 31, 2023 and 2022 totaled \$142,975 and \$263,371, respectively.

Subsequent events:

Subsequent events are transactions or events that occur after the Statement of Financial Position date but before the financial statements are issued or available to be issued. The Society has evaluated subsequent events through April 29, 2024, which is the date the financial statements were available to be issued.

2. Funds held in agency capacity:

Agency funds include funds entrusted to the Society for specific purposes, as follows:

Howland Cemetery Maintenance Fund – Represents funds invested in a certificate of deposit currently earning approximately one half of one percent (0.50%) interest, which had a balance of \$30,759 and \$30,749 as of December 31, 2023 and 2022, respectively. These funds must be used for cemetery maintenance in accordance with the donor's wishes.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

3. Pledges receivable:

Capital campaign and operations pledges receivable as of December 31 are presented as net assets with donor restrictions if expected to be collected in more than one (1) year. These unconditional promises to give are to be received by the Society for years subsequent to December 31. The following schedule summarizes pledges receivable at December 31:

	<u>2023</u>	<u>2022</u>
Within one year	\$ 588,326	\$ 738,124
From one to five years	<u>1,247,199</u>	<u>1,170,750</u>
	1,835,525	1,908,874
Less: discount to net present value	<u>(64,400)</u>	<u>(79,351)</u>
Total pledges receivable, net	<u>\$ 1,771,125</u>	<u>\$ 1,829,523</u>
Current portion of pledges receivable	\$ 588,326	\$ 738,124
Pledges receivable, long-term	<u>1,182,799</u>	<u>1,091,399</u>
Total pledges receivable, net	<u>\$ 1,771,125</u>	<u>\$ 1,829,523</u>

The allowance for uncollectible pledges at December 31, 2023 and 2022 was \$-. Pledges receivable are made primarily by individuals located throughout Southeastern Massachusetts and are reflected at the present value of estimated future cash flows using a risk adjusted rate of approximately one-point nine percent (1.9%). Of the total pledges receivable, \$1,679,715 and \$1,083,500 represent outstanding pledges from Trustees of the Society as of December 31, 2023 and 2022, respectively.

4. Land, buildings, and equipment:

Land, buildings, and equipment consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 857,200	\$ 857,200
Buildings and improvements	29,026,801	28,893,940
Furniture, equipment, and vehicles	2,342,220	2,065,231
Construction in progress	421,351	105,000
Other long-lived assets	39,983	-
Custodial program and equipment	<u>43,010</u>	<u>43,010</u>
	32,730,565	31,964,381
Less: accumulated depreciation	<u>(18,687,045)</u>	<u>(17,641,063)</u>
Total land, buildings, and equipment, net	<u>\$ 14,043,520</u>	<u>\$ 14,323,318</u>

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

4. Land, buildings, and equipment - continued:

Depreciation expense for the years ended December 31, 2023 and 2022 totaled \$1,045,982 and \$993,142, respectively.

5. Long-term investments:

Long-term investments are reported at fair value and consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Cash and money market funds	\$ 308,667	\$ 383,844
Domestic equities:		
Consumer discretionary	1,047,728	885,180
Consumer staples	436,114	475,822
Energy	132,301	76,598
Financials	1,082,778	719,615
Healthcare	1,391,712	1,409,774
Industrials	733,473	375,137
Information technologies	2,309,345	2,472,862
Materials	-	27,649
Real estate	165,183	99,998
Telecommunication services	566,137	377,476
Utilities	158,526	171,344
Mutual funds:		
Domestic fixed income (5-10 Years)	2,267,170	1,955,088
International fixed income - developed markets	2,221,712	2,106,287
Domestic equities	27,616	25,721
International equities - developed markets	4,107,438	3,694,523
International equities - emerging markets	1,347,260	1,097,407
Private real estate investment trust (REIT)	<u>274,533</u>	<u>-</u>
Total long-term investments	<u>\$ 18,577,693</u>	<u>\$ 16,354,325</u>

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

5. Long-term investments – continued:

The following schedule summarizes the investment return and its classification in the Statement of Activities at December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 270,140	\$ 127,008	\$ 397,148
Investment fees	(90,685)	(42,636)	(133,321)
Net unrealized gains	1,185,352	557,300	1,742,652
Net realized gains on sales	<u>189,891</u>	<u>89,278</u>	<u>279,169</u>
Net investment gains	<u>\$ 1,554,698</u>	<u>\$ 730,950</u>	<u>\$ 2,285,648</u>

The following schedule summarizes the investment return and its classification in the Statement of Activities at December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 311,771	\$ 130,645	\$ 442,416
Investment fees	(27,468)	(11,510)	(38,978)
Net unrealized losses	(2,372,329)	(994,109)	(3,366,438)
Net realized gains on sales	<u>339,878</u>	<u>142,424</u>	<u>482,302</u>
Net investment loss	<u>\$ (1,748,148)</u>	<u>\$ (732,550)</u>	<u>\$ (2,480,698)</u>

There are no unfunded commitments associated with long-term investments as of December 31, 2023 and 2022 with the exception of the private real estate investment which may have quarterly capital commitments through the third year following the purchase. Investments with daily liquidity generally do not require any notice prior to withdrawal and there are no required redemptions or lock-ups with definitive expiration dates with the exception of the private real estate investment which has a three (3) year lock-up period from the purchase date.

6. Endowments:

The Society’s endowments consist of individual endowment sub-funds for a variety of purposes with donor restrictions as well as board designated endowments. Net assets associated with endowment funds (hereinafter “Endowments”) are classified and reported based on the existence or absence of donor-imposed restrictions as well as sub-funds without donor restrictions for operational purposes. All endowment funds without donor-imposed restrictions have been designated by the Board of Trustees.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

6. Endowments – continued:

Funds with deficiencies:

From time to time the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Society to retain as a fund of perpetual duration. The Society has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. In accordance with U.S. generally accepted accounting principles for not-for-profit organizations, at December 31, 2023, individual endowment sub-funds, which together have an original gift value of \$8,183 and a current fair value of \$6,841, have a deficiency of \$1,342. At December 31, 2022, individual endowment sub-funds, which together have an original gift value of \$1,070,202 and a current fair value of \$980,357, have a deficiency of \$89,845. These deficiencies result from unfavorable market fluctuations that have occurred and continued appropriation for programs that was deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets with donor restrictions. As of the date of the financial statements, the value of these underwater endowments has been largely restored.

Spending policy and how the investment objectives relate to spending policy:

The Society has a policy for each endowment allowing that annually the Board of Trustees will appropriate and expend all or part of the income (defined as income from interest, dividends, and other ordinary income, plus net realized gains). If little or no income is produced in a given year, up to five percent (5%) of the past three (3) years' average year-end fair value of the fund may be spent in accordance with the purpose of the Fund, taking into account the recommendations of the Investment Advisory Committee to the Finance Committee.

The Society has, in recent years, appropriated for distribution between four-point five percent (4.50%) and four-point seven five percent (4.75%) of its endowment fund's average year-end fair value, adjusted for new significant gifts unless specifically limited by the donor, over the prior three (3) years through the preceding year-end. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow at the total return less the spending policy. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets held in perpetuity, or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Based on its spending policy, a portion of the Society's cumulative net realized gains and net appreciation is allocated to operations in accordance with the Society's investment policies and procedures. For the years ended December 31, 2023 and 2022, the Board approved funding for operations of \$859,044 and \$787,836, respectively. Of these amounts, \$274,722 and \$232,683 were the investment earning amounts allowed to be expended from accumulated investment earnings on the endowment fund with donor restrictions for the years ended December 31, 2023 and 2022, respectively, with the balance of the Board approved “draw” from unrestricted endowment investment earnings.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

6. Endowments – continued:

Changes to endowment net assets for the year ended December 31, 2023, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2022	<u>\$11,599,142</u>	<u>\$ 4,755,183</u>	<u>\$16,354,325</u>
Endowment investment return:			
Interest and dividends	270,140	127,008	397,148
Investment fees	(90,685)	(42,636)	(133,321)
Net appreciation (realized and unrealized)	<u>1,375,243</u>	<u>646,578</u>	<u>2,021,821</u>
Total endowment investment gain	<u>1,554,698</u>	<u>730,950</u>	<u>2,285,648</u>
Contributions	319,146	775,828	1,094,974
Other changes and reclasses	(110,002)	(188,208)	(298,210)
Appropriation of endowment for expenditure	<u>(584,322)</u>	<u>(274,722)</u>	<u>(859,044)</u>
Endowment net assets, December 31, 2023	<u>\$12,778,662</u>	<u>\$ 5,799,031</u>	<u>\$18,577,693</u>

Changes to endowment net assets for the year ended December 31, 2022, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2021	<u>\$13,601,850</u>	<u>\$ 5,625,571</u>	<u>\$19,227,421</u>
Endowment investment return:			
Interest and dividends	311,771	130,645	442,416
Investment fees	(27,468)	(11,510)	(38,978)
Net depreciation (realized and unrealized)	<u>(2,032,451)</u>	<u>(851,685)</u>	<u>(2,884,136)</u>
Total endowment investment loss	<u>(1,748,148)</u>	<u>(732,550)</u>	<u>(2,480,698)</u>
Contributions	648,522	5,000	653,522
Other changes and reclasses	(347,929)	89,845	(258,084)
Appropriation of endowment for expenditure	<u>(555,153)</u>	<u>(232,683)</u>	<u>(787,836)</u>
Endowment net assets, December 31, 2022	<u>\$11,599,142</u>	<u>\$ 4,755,183</u>	<u>\$16,354,325</u>

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

6. Endowments – continued:

The endowment investment return is allocated between operations and non-operational activities per the spending policy in the Statements of Activities for the years ended December 31, as follows:

	<u>2023</u>	<u>2022</u>
Allocated to operations	\$ 859,044	\$ 787,836
Allocated to non-operational activities	<u>1,426,604</u>	<u>(3,268,534)</u>
Net investment return (loss)	<u>\$ 2,285,648</u>	<u>\$ (2,480,698)</u>

7. Charitable remainder trusts receivable:

The Society is the beneficiary of numerous irrevocable charitable trusts and gift annuities. These assets have been donated to the Society for investment in return for payments to the donor(s) or their designee(s) and are largely held by third party trustees on the Society’s behalf. Upon the satisfaction of the terms of each trust or annuity, the Society will receive the balance of the invested assets. These assets are then added to the endowment per the donor’s direction. For gift annuities, the related annuity liability is valued using U.S. Internal Revenue Service (IRS) tables at the net present value each year. See Note 1 for the discount rate used.

For the years ended December 31, 2023 and 2022, there were no contributions to the charitable remainder trusts received. The change in the fair value of annuities, included in the change of split-interest agreements in the Statements of Activities, was a decrease of \$1,640 and a decrease of \$147,832 for the years ended December 31, 2023 and 2022, respectively. The change of split-interest agreements for the year ended December 31, 2022 was more than offset by the distribution of one (1) of the trusts totaling \$87,128.

The following are the invested assets and annuity obligations at December 31:

	<u>2023</u>	<u>2022</u>
Fair value of charitable remainder trust	\$ 418,805	\$ 420,445
Annuity obligations	<u>(9,344)</u>	<u>(16,151)</u>
Total charitable remainder trusts		
receivable, net	<u>\$ 409,461</u>	<u>\$ 404,294</u>

8. Beneficial interest in perpetual trust:

The Society is the beneficiary of a trust (hereinafter “Trust”) created by a donor, the assets of which are not in the possession of the Society but are held with a third-party investment custodian and are invested in accordance with the Trust document. The Society has legally enforceable rights and claims to such assets, including the right to their respective interest in the Trust’s income therefrom. Net realized and unrealized gains and losses related to the beneficial interest in the Trust is reported as changes in net assets with donor restrictions based on explicit donor stipulations. Distributions from the Trust as determined by the investment custodian have been approximately \$32,000 annually.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

9. Deferred revenue, contract liabilities, and conditional contributions:

The Society recognizes deferred grant revenue and refundable advances largely related to conditional contributions. The contributions are conditional upon the Society spending the grant funds on the specific program purposes as outlined in the grant proposal and agreement. The Society recognizes contract liabilities on grant funds advanced on exchange contracts. The contract liability totaled \$108,839 and \$68,346 at December 31, 2023 and 2022, respectively.

10. Demand note payable – line-of-credit:

The Society has a demand note payable with a financial institution with a maximum line-of-credit availability of \$850,000. Interest on the note’s outstanding balance is computed at the financial institution’s variable prime lending rate (8.50% and 7.50% at December 31, 2023 and 2022, respectively) with a floor of three-point two-five percent (3.25%). The note is collateralized by all business assets of the Society excluding endowment investments, real property, and the items of the collection. The line-of-credit is subject to annual administrative covenants with the financial institution and renews annually in June. There were no advances made during the years ended December 31, 2023 and 2022 and the outstanding balance was \$- at December 31, 2023 and 2022.

11. Long-term note payable:

Long-term note payable consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Note payable to the U.S. Small Business Administration under the Economic Injury Disaster Loan program, original amount of \$150,000, dated May 2020, fully amortizing, secured by certain business assets, 2.75% fixed interest deferred for thirty (30) months, payable in three hundred sixty (360) monthly installments of \$641 of principal and interest beginning December 2022. Due in May 2052.	\$ 155,786	\$ 159,737
Less: current portion of long-term debt	<u>(3,317)</u>	<u>(3,227)</u>
Long-term debt, net of current portion	<u>\$ 152,469</u>	<u>\$ 156,510</u>

The following are maturities of long-term debt for the next five (5) years and in the aggregate:

2024	\$ 3,317
2025	3,409
2026	3,504
2027	3,601
2028	3,702
Thereafter	<u>138,253</u>
Total long-term debt	<u>\$ 155,786</u>

Interest on the line-of-credit and long-term note payable, including accrued interest, totaled \$3,741 and \$9,521 for the years ended December 31, 2023 and 2022, respectively.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

12. Right-of-use lease liabilities – operating lease:

The Society leases additional collection storage space under a seventy-two (72) month operating lease which expires in October 2025 with a monthly lease rent from \$3,870 to \$4,828. During 2023, the Society extended the in-force lease for an additional twelve (12) months.

The following summarizes the line items in the Statements of Position which include amounts for operating leases at December 31:

	<u>2023</u>	<u>2022</u>
Right-of-use assets, net of amortization	\$ 100,592	\$ 98,839
Operating lease liabilities, current	54,676	52,312
Operating lease liabilities, long-term	<u>47,923</u>	<u>46,528</u>
Total right-of-use liabilities – operating leases	<u>\$ 102,599</u>	<u>\$ 98,840</u>

Future minimum lease payments under non-cancelable operating leases as of December 31, 2023:

2024	\$ 55,936
2025	<u>48,280</u>
Total lease payments	104,216
Less: Imputed interest	<u>(1,617)</u>
Total right-of-use liabilities – operating leases	<u>\$ 102,599</u>

The following summarizes the line items in the Statements of Activities which include amounts for operating leases at December 31:

	<u>2023</u>	<u>2022</u>
<u>Lease cost:</u>		
Operating lease cost	\$ 51,618	\$ 49,256
<u>Other information:</u>		
Cash paid for amounts included in the measurement of lease liabilities	53,536	50,056
Right-of-use assets obtained in exchange for new operating lease liabilities	57,430	148,096
Weighted-average remaining lease term for operating leases	22	22
Weighted-average discount rate for operating leases	1.626%	1.626%

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

12. Right-of-use lease liabilities – operating lease – continued:

The Society used its incremental borrowing rate as of the date of lease inception. The inputs used to value the operating lease are not considered to be significant to the financial statements. The Society adopted new accounting and reporting guidance, the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* under the “effective date method”, on January 1, 2022.

13. Net assets with donor restrictions:

The Society has recognized revenue related to grants and contributions that are restricted as to purpose or the expiration of time. In addition, donors have endowed the Society with funds that are restricted for specific purpose. The following is a detail of the nature of the restrictions on net assets at December 31:

	<u>2023</u>	<u>2022</u>
Restricted for acquisition and conservation	\$ 3,501,951	\$ 3,449,688
Restricted for education	1,368,068	761,494
Time restricted - split interest agreements	418,805	420,445
Restricted for apprenticeship	336,382	306,018
General endowment	243,799	327,816
Restricted for library	169,040	158,908
Restricted for building and grounds	149,060	261,795
Restricted for capital campaign	2,573,267	1,726,287
Restricted for visitor services	56,865	53,456
Restricted for various programs and functions	<u>39,355</u>	<u>35,547</u>
Total net assets with donor restrictions	<u>\$ 8,856,592</u>	<u>\$ 7,501,454</u>

All endowment funds without donor-imposed restrictions have been designated by the Board of Trustees. Board designated net assets were \$12,778,662 and \$11,599,142 at December 31, 2023 and 2022, respectively.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

13. Net assets with donor restrictions – continued:

Releases from donor restrictions, by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donor, consisted of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
<u>Operational:</u>		
Released for program purposes	\$ 15,000	\$ 15,214
Release of accumulated earnings	<u>274,722</u>	<u>232,683</u>
Total releases for operational activities	<u>289,722</u>	<u>247,897</u>
<u>Non-operational:</u>		
Released for campaign and capital expenditures	554,263	869,500
Released for payments and changes in split interest agreements, net	<u>802,613</u>	<u>(230,950)</u>
Total releases for non-operational activities	<u>1,356,876</u>	<u>638,550</u>
<u>Accession:</u>		
Released for acquisition of collections	<u>84,408</u>	<u>129,312</u>
Total releases from donor restrictions	<u><u>\$ 1,731,006</u></u>	<u><u>\$ 1,015,759</u></u>

14. Financial instruments reported at fair value:

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

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Domestic and international equities – Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual fund equities – Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual fund fixed income – Valued at the closing price reported on the active market on which the individual securities are traded. This investment class invests in U.S. Treasuries, securities, and diversified fixed income strategies, which invest in corporate credits including bank loans as well as high yield and investment grade bonds. The redemption period of these investments is generally daily. There are no unfunded commitments related to this investment class.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

14. Financial instruments reported at fair value - continued:

Money market funds – Valued at the closing price reported on the active market on which the individual securities are traded.

Private real estate investment trust (REIT) – Valued at the net asset value of the underlying assets at the end of the previous quarter.

Perpetual and charitable trusts – Valued at the current market value of the remainder interest in the underlying assets using observable market inputs based on its beneficial interest in the trust discounted to a single present value using market interest rates of approximately three percent (3%).

Fair value of assets at December 31, 2023 are as follows:

	<u>Total</u>	<u>Quoted</u>	<u>Significant</u>	<u>Significant</u>
<u>Investments at fair value:</u>	<u>Investments</u>	<u>Prices in</u>	<u>Other</u>	<u>Unobservable</u>
		<u>Active</u>	<u>Observable</u>	<u>Inputs</u>
		<u>Markets</u>	<u>Inputs</u>	<u>Inputs</u>
		<u>(Level I)</u>	<u>(Level II)</u>	<u>(Level III)</u>
Domestic equity securities	\$ 8,023,297	\$ 8,023,297	\$ -	\$ -
International equity securities	5,454,698	5,454,698	-	-
Mutual funds:				
Domestic equity securities	27,616	27,616	-	-
Domestic fixed income	2,267,170	2,267,170	-	-
International fixed income	2,221,712	2,221,712	-	-
Cash and money market funds	<u>308,667</u>	<u>308,667</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 18,303,160</u>	<u>\$ 18,303,160</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Investments measured at NAV:</u>				
Private real estate investment trust (REIT)	<u>274,533</u>			
Total long-term investments	<u>\$18,577,693</u>			
Perpetual and charitable trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,135,074</u>

Certain investments are measured at fair value using net asset value (hereinafter “NAV”) as a practical expedient and have not been classified in the fair value hierarchy. The NAV amounts have been presented to permit reconciliation of the fair value hierarchy to the amounts reported as total long-term investments.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

14. Financial instruments reported at fair value – continued:

Fair value of assets at December 31, 2022 are as follows:

<u>Investments at fair value:</u>	<u>Total Investments</u>	<u>Quoted Prices in Active Markets (Level I)</u>	<u>Significant Other Observable Inputs (Level II)</u>	<u>Significant Unobservable Inputs (Level III)</u>
Domestic equity securities	\$ 7,091,455	\$ 7,091,455	\$ -	\$ -
International equity securities	4,791,930	4,791,930	-	-
Mutual funds:				
Domestic equity securities	25,721	25,721	-	-
Domestic fixed income	1,955,088	1,955,088	-	-
International fixed income	2,106,287	2,106,287	-	-
Cash and money market funds	<u>383,844</u>	<u>383,844</u>	<u>-</u>	<u>-</u>
Total long-term investments	<u>\$16,354,325</u>	<u>\$16,354,325</u>	<u>\$ -</u>	<u>\$ -</u>
Perpetual and charitable trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,061,533</u>

There were no significant transfers in or out of the levels of the fair value hierarchy during the years ended December 31, 2023 and 2022. There were no changes in valuation techniques for the years ended December 31, 2023 and 2022. None of the investments held at December 31, 2023 and 2022 have restrictions limiting daily redemption of holdings or requiring advance notice of redemption.

Following is a detail of assets measured at fair value on a recurring basis using significant unobservable inputs (Level III) to develop the fair value annually for the year ended December 31:

	<u>2023</u>	<u>2022</u>
<u>Perpetual and charitable trusts:</u>		
Balance, beginning of year	\$ 1,061,533	\$ 1,345,541
Total gains (losses) realized in non-operational income	<u>73,542</u>	<u>(284,008)</u>
Balance, end of year	<u>\$ 1,135,074</u>	<u>\$ 1,061,533</u>

Certain administrators of these perpetual and charitable trusts receivable provide an annual valuation representing the Society’s allocation in the trusts but without significant basis for the composition of the underlying trust interests. Accordingly, the fair value of underlying assets, when known, is used to approximate the discounted cash flows projected to be received. The Society considers the measurement of its beneficial interest in the perpetual and charitable trusts to be a Level III measurement within the fair value measurement hierarchy because, even though that measurement is based on the unadjusted fair value of the underlying trust assets reported by the trustee, the Society will not receive those assets or have the ability to direct the trustee to redeem them in the near term.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

14. Financial instruments reported at fair value – continued:

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

Financial instruments such as those above involve, to varying degrees, elements of market risk and credit risk in excess of amounts recorded on the Statements of Financial Position. For the Society, market risk represents the potential loss due to the decrease in the value of financial instruments and credit risk represents the maximum potential loss due to possible nonperformance of contract terms by obligors or counter parties.

15. Disaggregation of revenue from contracts:

The following table disaggregates the Society’s revenue based on the timing of satisfaction of performance obligations for the years ended December 31:

<u>Satisfied over time:</u>	<u>2023</u>	<u>2022</u>
Membership fees	\$ 196,690	\$ 172,780
Program revenue	<u>320,691</u>	<u>278,491</u>
Total revenue from contracts satisfied over time	<u>\$ 517,381</u>	<u>\$ 451,271</u>
<u>Satisfied at a point in time:</u>		
Museum store receipts	\$ 361,197	\$ 313,445
Admissions	777,279	609,461
Photo revenue, object loan fees, other	<u>320,830</u>	<u>175,472</u>
Total revenue from contracts with customers satisfied at a point in time	<u>\$ 1,459,306</u>	<u>\$ 1,098,378</u>

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

16. Liquidity:

The Society is substantially supported by grants, contributions, and member support for its curatorial operations, educational programming, and scholarly endeavors. In addition, the Society collects admission fees to the Museum and its patrons provide support at its Museum store. The Board of Trustees also approved a monthly draw from the endowment earnings of approximately seventy-four thousand dollars (\$74,000), which helps to support its liquidity requirements. With the exception of the limited seasonality to its operations, the diversity of revenue streams tends to provide for relatively consistent cash flows throughout the year. This reasonably aligns with the Society’s expectation that its financial assets, which consist largely of cash and cash equivalents, short-term investments, accounts and grants receivable, will be available to meet its general expenditures, liabilities, and other obligations as they come due. Because of the consistency of its cash flows throughout the year, the Society considers it prudent to maintain at least forty-five (45) days of cash availability.

As part of the Society’s management plan to ensure adequate liquidity to provide for routine operations, the Society maintains a working capital line-of-credit with a maximum availability of eight hundred fifty thousand dollars (\$850,000) to help manage unanticipated liquidity needs. In recent years, the line-of-credit has been largely unutilized as management has successfully managed cash requirements to align with actual cash flows.

17. Availability of financial assets:

The Society’s liquid resources available to meet operational requirements, that is without donor or other restrictions limiting their use, within one (1) year of the Statement of Financial Position as of December 31, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 937,191	\$ 1,190,473
Accounts receivable, collected within one year	1,292,921	150,705
Pledges receivable, net, collected within one year	588,326	738,124
Distributions from beneficial assets held by others	32,000	32,000
Endowment spending-rate appropriations	<u>890,000</u>	<u>857,500</u>
Total financial assets	<u>3,740,438</u>	<u>2,968,802</u>
 Less: Donor restricted for specific programs	 <u>(680,000)</u>	 <u>(450,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 3,060,438</u>	 <u>\$ 2,518,802</u>

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

17. Availability of financial assets - continued:

These amounts are reduced by amounts not available for general use because of contractual or donor-imposed restrictions. The Society’s endowment funds consist of donor-restricted endowments and funds designated by its Board of Trustees as endowments. Income from donor-restricted endowments is restricted for specific purposes with the exception of the amounts available for general use. The endowment investments with donor restrictions are not available for general expenditure. Although the Society has a quasi-endowment of twelve point eight million dollars (\$12,800,000), it does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual Board of Trustee approved endowment draw for operations. Accordingly, amounts not available include amounts set aside for long-term investing in the quasi-endowment. However, the Board of Trustees could appropriate additional amounts from its quasi-endowment if necessary.

18. Museum store activities:

The Society operates a museum store within the exhibit facility offering unique merchandise complementary to visitor interests and the museum experience. Gross revenue and expenses consisted of the following for the year ended December 31:

	<u>2023</u>	<u>2022</u>
Museum store revenues	\$ 361,197	\$ 313,445
Less: Museum store expenses	<u>(280,035)</u>	<u>(256,554)</u>
Museum store income, net	<u>\$ 81,162</u>	<u>\$ 56,891</u>

19. Related party transactions:

The Society received significant support from thirty-six (36) and thirty-eight (38) members of the Board of Trustees of the Society who contributed a total of \$848,872 and \$2,440,849 in support for the years ended December 31, 2023 and 2022, respectively. Pledges receivable balances from ten (10) and eight (8) members of the Board of Trustees of the Society totaled \$1,679,715 and \$1,740,857 for the years ended December 31, 2023 and 2022, respectively.

20. Retirement plans:

The Society offers a tax-deferred savings plan (hereinafter “Plan”) which qualifies as a voluntary contribution savings plan under Internal Revenue Code Section 403(b). The Plan is administered by Teacher’s Insurance and Annuity Association and College Retirement Equities Fund (hereinafter “TIAA – CREF”). Employees, immediately upon employment, may elect to provide tax-deferred contributions to fully vested individual retirement accounts up to the Internal Revenue Code limit. The Society matches employee contributions equally up to three percent (3%) of the employee’s elective deferral and employees are fully vested after twelve (12) consecutive months of employment.

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

20. Retirement plans - continued:

The Society also offers a tax-deferred savings plan (hereinafter “Discretionary Plan”) which qualifies as a voluntary contribution savings plan under Internal Revenue Code Section 403(b). The Discretionary Plan is also administered by TIAA – CREF. The Discretionary Plan covers all employees over age twenty-one (21) who normally work forty (40) hours per week, after two (2) years of continuous employment. The Discretionary Plan allows the Society to make discretionary contributions to all eligible employees as determined annually by the Board of Trustees. The Society made no contributions to the Discretionary Plan in 2023 and 2022. Total pension expense for both plans for the years ended December 31, 2023 and 2022 was \$59,103 and \$56,648, respectively.

21. Contributed non-financial assets:

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Society’s programs; principally membership development, fundraising, and educational programs. The Society estimates that it received \$520,778 and \$449,610 in donated goods and services as summarized in the following table, which meet the criteria for recording in the financial statements for the years ended December 31, 2023 and 2022, respectively. Accordingly, these amounts are included in revenue and expense in the Statements of Activities:

<u>Description</u>	<u>2023</u>	<u>2022</u>	<u>Utilization in Programs/ Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Process and inputs</u>
Non-professional services	\$ 2,523	\$ 7,582	Museum operations – collections and exhibitions	No associated donor restrictions	Valued at the estimated fair value of volunteer time using Massachusetts based current sector-wide average wage and benefit survey.
Non-professional services	441,282	366,667	Museum operations – museum learning and public programs	No associated donor restrictions	Valued at the estimated fair value of volunteer time using Massachusetts based current sector-wide average wage and benefit survey.
Non-professional services	64,920	50,368	Museum operations – library, scholarly, and digital engagement	No associated donor restrictions	Valued at the estimated fair value of volunteer time using Massachusetts based current sector-wide average wage and benefit survey.
Non-professional services	-	24,993	Museum operations – management, general, and fundraising	No associated donor restrictions	Valued at the estimated fair value of volunteer time using Massachusetts based current sector-wide average wage and benefit survey.
Goods and services	<u>12,053</u>	<u>-</u>	Museum operations – fundraising	No associated donor restrictions	Valued at the estimated fair value of the goods and services contributed or the fundraising auction value received.
Total	<u>\$ 520,778</u>	<u>\$ 449,610</u>			

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

21. Contributed non-financial assets - continued:

In addition, the Society estimates it received an additional \$33,990 and \$33,000 of donated services for the years ended December 31, 2023 and 2022, respectively, that do not meet the criteria for recording and are, therefore, excluded from the accompanying financial statements.

22. Concentration of credit and economic risk:

The Society maintains its cash and cash equivalents at various financial institutions in accounts which, at times, may exceed federally insured limits. The Society has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents. Certain of these financial institutions are also insured by the Massachusetts Depositors Insurance Fund (DIF) that insures all deposits above the federally insured limits.

Approximately eighty-one percent (81%) and twenty-four percent (24%) of total grants and pledges receivable are from four (4) and one (1) donor at December 31, 2023 and 2022, respectively. Approximately twenty-six percent (26%) of total revenue and support is from three (3) donors at December 31, 2022.

23. Commitments and contingencies:

The Society receives a portion of its funding from government agencies. These contracts are subject to contractual provisions governing the programs, most of which are subject to interpretation. These contracts provide the oversight agencies the right to audit the Society and their sub-recipients and could result in the recapture of revenue previously reported by the Society. Any disallowed claims resulting from such audits could become a liability of the Society. The ultimate determination of amounts received under these programs is generally based on allowable costs reported to and auditable by the funding agencies. Until such audits have been completed, if any, and a final settlement is reached, there exists a contingency to refund all amounts received in excess of allowable costs. In the opinion of management, the results of such audits, if any, would not have a material effect on the Society’s financial position or results of operations at December 31, 2023 and 2022.

As such, the Society operates in a heavily regulated environment. The operations of the Society are subject to administrative directives, rules, and regulations of federal, state, and local regulatory agencies including, but not limited to, the following:

U.S. Department of Interior, National Park Service
U.S. Department of Housing and Urban Development, Community Development Block Grant
U.S. Institute of Museum and Library Services
U.S. Department of the Treasury
National Endowment for the Humanities
Massachusetts Cultural Council
Massachusetts Development Finance Agency
Massachusetts Historical Commission

OLD DARTMOUTH HISTORICAL SOCIETY
(also known as “The New Bedford Whaling Museum”)

Notes to Financial Statements

23. Commitments and contingencies - continued:

These administrative directives, rules, and regulations are subject to change by act of the United States Congress, act of the state or local legislature, or an administrative change mandated by the United States federal agencies or Commonwealth of Massachusetts agencies noted above. Such changes may occur with little notice or inadequate funding to pay for the related costs, including the additional administrative burden, to comply with the change. Additionally, contractual funding may decrease or be withdrawn during contract periods with little notice.

24. Subsequent events:

In January 2024, a member of the Board of Trustees pledged \$300,000 for the Museum expansion to be paid in equal installments annually through 2026. In February 2024, a member of the Board of Trustees pledged \$3,000,000, restricted for specific phases of the Museum expansion; to be paid in \$1,000,000 increments to align with the expansion project phases and an additional \$1,000,000 planned giving gift to the endowment. The annual investment earnings from the endowment gift are restricted to support the operational cost of the expanded facility. In addition, in February 2024, a member of the Board of Trustees pledged \$350,000 for the Museum expansion to be paid in equal installments annually through 2028. And in April 2024, a member of the Board of Trustees pledged \$500,000 for the Museum expansion.

25. Effect of new accounting pronouncements not yet adopted:

There are no recent accounting pronouncements issued by the Financial Accounting Standards Board (FASB) believed by management to have a material impact on the Society’s present or future financial statements.

***INFORMATION REQUIRED BY
GOVERNMENT AUDITING STANDARDS***



***Independent Auditors' Report on Internal Control over Financial Reporting
And on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

To the Board of Trustees
Old Dartmouth Historical Society
(also known as "The New Bedford Whaling Museum")
New Bedford, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Old Dartmouth Historical Society (also known as "The New Bedford Whaling Museum") (a Massachusetts not-for-profit organization) (hereinafter "Society"), which comprise the Statement of Financial Position as of December 31, 2023, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 29, 2024.

Report on internal control over financial reporting:

In planning and performing our audit of the financial statements, we considered Old Dartmouth Historical Society's internal control over financial reporting (hereinafter "internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Society's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

To the Board of Trustees
Old Dartmouth Historical Society
(also known as "The New Bedford Whaling Museum")
Page two

Report on compliance and other matters:

As part of obtaining reasonable assurance about whether Old Dartmouth Historical Society's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this report:

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Allan Smith and Company CPAs PC". The signature is written in a cursive, flowing style.

Allan Smith and Company, CPAs PC
Stoughton, Massachusetts
April 29, 2024