



FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
APRIL 30, 2014 AND 2013**

CHESAPEAKE BAY MARITIME MUSEUM, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

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Independent Auditor's Report

To the Board of Directors
Chesapeake Bay Maritime Museum, Inc.
St. Michaels, Maryland

We have audited the accompanying financial statements of Chesapeake Bay Maritime Museum, Inc. (a nonprofit organization), which comprise the statements of financial position as of April 30, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chesapeake Bay Maritime Museum, Inc. as of April 30, 2014 and 2013, 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.

Toal, Griffith + Ragula, LLC

Annapolis, Maryland

July 22, 2014

CHESAPEAKE BAY MARITIME MUSEUM, INC.
STATEMENTS OF FINANCIAL POSITION
APRIL 30, 2014 AND 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,662,640	\$ 1,097,764
Accounts and Grants Receivable	64,281	83,983
Split-Interest Agreements Receivable, Current Portion	32,958	28,775
Contributions Receivable, Current Portion	70,000	112,500
Museum Store Inventories	55,165	45,429
Boat Shop Inventory	26,482	27,504
Prepaid Expenses	38,199	17,063
Total Current Assets	1,949,725	1,413,018
PROPERTY AND EQUIPMENT	10,000,904	10,612,461
OTHER ASSETS		
Contributions Receivable, Net of Current Portion	57,386	97,426
Split-Interest Agreements Receivable, Net of Current Portion	499,396	547,035
Planned Gifts Investments at Fair Value	10,623	10,623
Investments at Fair Value	9,910,556	8,847,246
Total Other Assets	10,477,961	9,502,330
Total Assets	\$ 22,428,590	\$ 21,527,809

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 499,509	\$ 67,804
Accrued Salaries and Related Expenses	139,046	120,693
Deferred Income and Deposits	275,425	117,546
Long Term Debt, Current Portion	100,000	60,000
Total Current Liabilities	1,013,980	366,043
LONG TERM DEBT, LESS CURRENT MATURITIES	800,000	900,000
Total Liabilities	1,813,980	1,266,043
NET ASSETS		
Unrestricted Undesignated	8,164,592	8,535,861
Unrestricted - Board Designated for Endowment	340,247	294,653
Total Unrestricted	8,504,839	8,830,514
Temporarily Restricted	2,300,047	2,271,189
Permanently Restricted	9,809,724	9,160,063
Total Net Assets	20,614,610	20,261,766
Total Liabilities and Net Assets	\$ 22,428,590	\$ 21,527,809

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

CHESAPEAKE BAY MARITIME MUSEUM, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED APRIL 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT				
Contributions	\$ 1,021,501	\$ 53,529	\$ 649,661	\$ 1,724,691
Membership	440,639	-	-	440,639
Grants	-	71,669	-	71,669
Special Events	245,592	-	-	245,592
General Admissions	556,429	-	-	556,429
Grounds Rentals	89,930	-	-	89,930
Educational Programs	105,010	-	-	105,010
Changes in the Value of				
Split-Interest Agreements	31,611	-	-	31,611
Investment Income	5,256	268,242	-	273,498
Realized Loss on Investments	(1,566)	(26,815)	-	(28,381)
Unrealized Gain on Investments	28,150	484,602	-	512,752
Museum Store Gross Profit, Net of Costs of Goods Sold of \$122,105	128,665	-	-	128,665
Rental Income	16,910	-	-	16,910
Sales of Donated Boats	439,949	-	-	439,949
Other Income	19,165	-	-	19,165
Net Assets Released from Restrictions	<u>822,369</u>	<u>(822,369)</u>	<u>-</u>	<u>-</u>
 Total Revenues and Other Support	 3,949,610	 28,858	 649,661	 4,628,129
EXPENSES				
Program Expenses	3,234,666	-	-	3,234,666
Administrative Expenses	586,725	-	-	586,725
Fundraising Expenses	<u>453,894</u>	<u>-</u>	<u>-</u>	<u>453,894</u>
 Total Expenses	 <u>4,275,285</u>	 <u>-</u>	 <u>-</u>	 <u>4,275,285</u>
 Change in Net Assets	 (325,675)	 28,858	 649,661	 352,844
 Net Assets at Beginning of Year	 <u>8,830,514</u>	 <u>2,271,189</u>	 <u>9,160,063</u>	 <u>20,261,766</u>
 Net Assets at End of Year	 <u>\$ 8,504,839</u>	 <u>\$ 2,300,047</u>	 <u>\$ 9,809,724</u>	 <u>\$ 20,614,610</u>

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

CHESAPEAKE BAY MARITIME MUSEUM, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED APRIL 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT				
Contributions	\$ 773,509	\$ 298,399	\$ 57,463	\$ 1,129,371
Membership	425,362	-	-	425,362
Grants	-	162,472	-	162,472
Special Events	257,464	-	-	257,464
General Admissions	520,499	-	-	520,499
Grounds Rentals	124,535	-	-	124,535
Educational Programs	78,324	-	-	78,324
Changes in the Value of				
Split-Interest Agreements	38,362	-	-	38,362
Investment Income	46,203	304,139	-	350,342
Realized Gain on Investments	69,031	535,407	-	604,438
Unrealized Loss on Investments	6,753	44,038	-	50,791
Museum Store Gross Profit, Net of Costs of Goods Sold of \$115,599	124,578	-	-	124,578
Rental Income	16,500	-	-	16,500
Sales of Donated Boats	345,816	-	-	345,816
Other Miscellaneous Sales	14,726	-	-	14,726
Loss on Disposal of Assets	19,155	-	-	19,155
Other Income	266	-	-	266
Net Assets Released from Restrictions	981,519	(981,519)	-	-
Total Revenues and Other Support	3,842,602	362,936	57,463	4,263,001
EXPENSES				
Program Expenses	3,291,372	-	-	3,291,372
Administrative Expenses	568,709	-	-	568,709
Fundraising Expenses	454,874	-	-	454,874
Total Expenses	4,314,955	-	-	4,314,955
Change in Net Assets	(472,353)	362,936	57,463	(51,954)
Net Assets at Beginning of Year	9,302,867	1,908,253	9,102,600	20,313,720
Net Assets at End of Year	<u>\$ 8,830,514</u>	<u>\$ 2,271,189</u>	<u>\$ 9,160,063</u>	<u>\$ 20,261,766</u>

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

CHESAPEAKE BAY MARITIME MUSEUM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED APRIL 30, 2014

	Program Services	Administrative	Fundraising	Total Expenses
Collection and Library Acquisition	\$ 1,101	\$ -	\$ -	\$ 1,101
Contribution	-	3,346	-	3,346
Depreciation	831,693	-	-	831,693
Exhibit	94,468	-	-	94,468
Insurance	176,436	10,582	17,566	204,584
Interest and Finance Charges	-	19,702	-	19,702
Investment Fees	-	29,238	-	29,238
Maintenance	125,605	-	-	125,605
Membership	1,622	7,061	8,937	17,620
Miscellaneous	39,930	7,941	42,096	89,967
Occupancy and Utilities	95,207	5,772	3,463	104,442
Office Expense	91,624	21,481	10,537	123,642
Other Education Expense	7,137	-	-	7,137
Other Employee Benefits	29,771	891	-	30,662
Payroll Taxes	102,727	48,898	13,385	165,010
Pension Plan	45,863	12,267	7,071	65,201
Postage and Shipping	13,578	1,279	10,350	25,207
Printing and Publications	25,762	-	65,240	91,002
Professional Fees	12,306	74,393	748	87,447
Programs	104,447	-	-	104,447
Promotion	83,190	-	25,637	108,827
Salaries	1,277,907	315,316	125,893	1,719,116
Special Events	-	-	118,619	118,619
Staff Development	-	9,458	-	9,458
Supplies and Equipment	43,733	-	1,239	44,972
Telephone	29,059	4,151	3,113	36,323
Travel	1,500	3,960	-	5,460
Loss on Disposal of Assets	-	10,989	-	10,989
Total Expenses	\$ 3,234,666	\$ 586,725	\$ 453,894	\$ 4,275,285

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

CHESAPEAKE BAY MARITIME MUSEUM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED APRIL 30, 2013

	<u>Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Contribution	\$ -	\$ 4,225	\$ -	\$ 4,225
Depreciation	803,463	-	-	803,463
Exhibit	130,283	-	-	130,283
Insurance	170,126	10,624	22,182	202,932
Interest and Finance Charges	-	34,110	-	34,110
Investment Fees	-	41,267	-	41,267
Maintenance	123,313	-	-	123,313
Membership	2,187	6,523	8,659	17,369
Miscellaneous	56,449	8,435	44,428	109,312
Occupancy and Utilities	106,161	6,466	3,880	116,507
Office Expense	91,905	27,679	14,558	134,142
Other Education Expense	11,679	-	-	11,679
Other Employee Benefits	5,610	-	-	5,610
Payroll Taxes	103,001	39,919	15,100	158,020
Pension Plan	41,768	11,512	7,623	60,903
Postage and Shipping	15,061	1,069	9,759	25,889
Printing and Publications	44,741	-	40,577	85,318
Professional Fees	22,423	45,486	9,265	77,174
Programs	145,523	-	-	145,523
Promotion	67,549	-	9,644	77,193
Salaries	1,277,940	309,419	144,877	1,732,236
Special Events	-	-	118,434	118,434
Staff Development	-	16,680	-	16,680
Supplies and Equipment	53,436	-	2,654	56,090
Telephone	14,896	2,292	2,292	19,480
Travel	3,858	3,003	942	7,803
	<u>3,291,372</u>	<u>568,709</u>	<u>454,874</u>	<u>4,314,955</u>
Total Expenses	\$ <u>3,291,372</u>	\$ <u>568,709</u>	\$ <u>454,874</u>	\$ <u>4,314,955</u>

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

CHESAPEAKE BAY MARITIME MUSEUM, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 352,844	\$ (51,954)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	831,693	803,463
Restricted Donated Securites	(286,753)	(29,791)
(Gain) Loss on Disposal of Assets	10,989	(19,155)
Realized (Gain) Loss on Sale of Investments	28,381	(604,438)
Unrealized Gain on Investments	(512,752)	(50,791)
(Increase) Decrease in:		
Accounts and Grants Receivable	19,702	(66,943)
Split-Interest Receivable	43,456	(2,055)
Contributions Receivable	82,540	83,306
Inventory	(9,736)	15,667
Boat Shop Inventory	1,022	14,122
Prepaid Expenses	(21,136)	20,334
Increase (Decrease) in:		
Accounts Payable	431,705	(97,378)
Accrued Salaries and Related Expenses	18,353	(930)
Deferred Revenue and Security Deposits	157,879	(41,174)
Net Cash Provided (Used) by Operating Activities	<u>1,148,187</u>	<u>(27,717)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(231,125)	(237,963)
Sale of Property and Equipment	-	20,000
Proceeds from Sale of Investments	4,745,367	6,730,678
Purchase of Investments	<u>(5,324,306)</u>	<u>(5,637,923)</u>
Net Cash Provided (Used) by Investing Activities	(810,064)	874,792
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long Term Debt	(60,000)	(1,040,000)
Restricted Donated Securities	<u>286,753</u>	<u>29,791</u>
Net Cash Provided (Used) for Financing Activities	<u>226,753</u>	<u>(1,010,209)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	564,876	(163,134)
Cash and Cash Equivalents, Beginning of Year	<u>1,097,764</u>	<u>1,260,898</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,662,640</u>	<u>\$ 1,097,764</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest Paid	<u>\$ 19,702</u>	<u>\$ 34,110</u>
Income Taxes Paid	<u>\$ -</u>	<u>\$ -</u>

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

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

By offering unique educational experiences, the Chesapeake Bay Maritime Museum (the Museum) inspires broad public stewardship of the Bay's cultural traditions and places.

The Chesapeake Bay Maritime Museum is a center for education, exhibition, and preservation, and a valued partner in a comprehensive movement to sustain a healthy and vital Chesapeake Bay region.

The Museum is supported by contributions and grants, membership, admissions and educational programs, endowment income, and Museum store sales.

Basis of Accounting

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

Basis of Presentation

The Museum's financial reporting classifies resources, for accounting and reporting purposes, into three net asset categories according to externally (donor) imposed restrictions. The Museum records unconditional promises to give (pledges) as receivables and revenues and distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. A description of the three net asset categories follows.

- Permanently Restricted - the portion of the net assets resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by actions of the Museum pursuant to those stipulations.
- Temporarily Restricted - the portion of the net assets resulting from contributions or other inflows of assets whose use by the Museum is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Museum pursuant to those stipulations.
- Unrestricted - the portion of the net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Change in Accounting Principle

During the year ended April 30, 2014, the Museum adopted FASB ASC 230-10-45-21A, which states that cash receipts resulting from the sale of donated financial assets by nonprofits, which were converted nearly immediately into cash, without nonprofit imposed limitations, shall be classified as operating cash flow. If, however, the donor restricted the use of the contributed resource to a long term purpose, then those cash receipts shall be classified as a financing activity.

Historically, the Museum has accounted for all cash flows of donated securities as operating cash flows. The adoption of this accounting policy has no effect on current year and prior year unrestricted net assets, temporarily restricted net assets or permanently restricted net assets.

Auxiliary Organizations

Auxiliary Organizations currently include three groups: the Model Guild of the Chesapeake Bay Maritime Museum, the Model Skipjack Club of the Chesapeake Bay Maritime Museum, and the Academy for Lifelong Learning at the Chesapeake Bay Maritime Museum.

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

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

The Academy of Lifelong Learning provides educational experiences, such as lectures, primarily for mature participants.

Cash, Cash Equivalents, and Certificates of Deposit

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

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable arise from docking fees, store sales, exchange transaction grants, and other sources. No interest or late fees are charged on past due receivables. An allowance for doubtful accounts is recorded when management identifies past due accounts as potentially uncollectible; these accounts are written off in the period when management deems them uncollectible. At April 30, 2014 and 2013, all accounts are considered fully collectible based on management's analysis of outstanding balances and historical collection experience.

Inventories

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

Land, Buildings and Equipment

The properties and equipment owned by the Museum are capitalized at cost if purchased, or at fair market value if donated, if value is over \$5,000 at date of purchase or gift. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Exhibits purchased or constructed by the Museum are recorded in the plant fund at cost.

The Museum depreciates its properties, exhibits and equipment outside of the permanent collection over their estimated useful lives by a level charge (straight line method). The Museum has recorded a value for all of its boats that are used in floating exhibits outside of the permanent collection.

Expenditures for maintenance and repairs are charged against operations. Renewals for betterments that materially extend the life of an asset are capitalized.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the changes in unrestricted net assets unless the donor or law restricts the income or loss.

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

Financial assets and liabilities valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. For certain long-term debt, the fair value was based on present value techniques using inputs derived principally or corroborated from market data. Financial assets and liabilities using level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied. All assets have been valued using a market approach. The Museum recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Changes in the fair value of level 3 investments are reported under unrealized gain (loss) on investments in the statements of activities. Fair value for the contribution receivable from a beneficial interest in a charitable lead annuity trust is determined by calculating the present value of the annuity using published life expectancy tables and a 6.58% discount rate. Fair value for the contribution receivable from a beneficial interest in a charitable lead unitrust is determined by calculating the present value of the quarterly distributions using published life expectancy tables and a 6.25% discount rate. Fair value for the contribution receivable from a beneficial interest in a charitable remainder trust is based on the Museum's charitable remainder interest of the trust as calculated on the date of donation and based on life expectancy of the income beneficiaries. Changes in the value of split-interest agreements are presented as a separate line item on the statements of activities. Fair value for the mortgages held is determined from market evaluations performed by PNC Bank. Cash surrender value of life insurance is determined from analysis performed by the policy provider. Changes in the cash surrender value are included in other income on the statements of activities and changes in net assets.

Investment Risks

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

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

Endowment

Endowment funds consist of funds that have been invested for the purpose of producing income to be used for maintenance of floating exhibits, buildings and grounds and other operating expenses, such as educational and curatorial purposes. These funds include contributions both restricted (permanently or temporarily) by donors for these purposes and unrestricted funds designated by the Executive Committee.

The Board of Trustees of the Museum has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Museum, and (7) the Museum's investment policies.

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

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

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

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

Endowment (Continued)

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

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

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

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

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

Collection

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

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

Collection (Continued)

The collection, which has been acquired through purchases and contributions since the Museum's inception, is not recognized as an asset on the statements of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets if the assets used to purchase the items are acquired, or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as changes in the appropriate net asset classes.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

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

Contributed property and equipment are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as temporarily restricted support; in the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

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

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

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

Grants are recorded as revenue when received or when conditions of the grant agreement are met.

Donated Property

The Museum's policy is not to record an estimated value for property donated to it for resale purposes, but rather to record the contribution at the time of the sale. Equipment and furniture, unless used as part of the Museum's physical plant, are for sale as received as are donated boats.

Stock Contributions

Marketable securities received as contributions are usually sold with the proceeds allocated to the appropriate fund as specified by the donor or designated by the Executive Committee.

Membership Dues

Membership dues are recorded as support when received.

Volunteer Services

A substantial number of unpaid volunteers have made significant contributions of their time in the furtherance of the Museum's programs. The Museum has recorded a total of 29,021 and 28,002 volunteer hours during the years ended April 30, 2014 and 2013, respectively. The value of this contributed time is not reflected in these statements because it is not susceptible to objective measurement or valuation.

Allocation of Expenses

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

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

Compensated Expenses

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

Risk Management

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

Advertising

All advertising costs are expensed as incurred.

Tax Status

The Museum is exempt from income taxes under Internal Revenue Code 501(c)(3). In addition, the Museum has been classified as an organization that is not a private foundation under Section 509(a)(1). A portion of the income from the Museum store, certain docking fees, and property rentals may be subject to federal and state income taxes. For the years ended April 30, 2014 and 2013 no income taxes were due.

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

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These changes have had no effect on the net income for the years ended April 30, 2014 and 2013.

Subsequent Events

The Museum evaluated subsequent events through the date that the financial statements were available to be issued. The Museum is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to July 22, 2014 that would have a material impact on the financial statements.

NOTE 2 - CREDIT RISK

The total cash balances are insured by the FDIC up to \$250,000 per bank. The Museum has cash balances on deposit at April 30, 2014 that exceeds the balance insured by the FDIC by approximately \$1,403,110. The Museum believes it is not exposed to any significant credit risk on cash and cash equivalents and has not experienced any losses on such accounts.

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Unconditional promises to give receivables are part of the Museum's capital fundraising efforts. Unconditional promises to give receivables at April 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Gross unconditional promises to give	\$ 129,006	\$ 211,506
Less unamortized discount	<u>(1,620)</u>	<u>(1,580)</u>
Net unconditional promises to give	\$ <u>127,386</u>	<u>209,926</u>
Amount due in:		
Less than one year	\$ 70,000	112,500
One to five years	<u>57,386</u>	<u>97,426</u>
Total contributions receivable	\$ <u>127,386</u>	\$ <u>209,926</u>

The Museum evaluated fiscal years 2014 and 2013 collections together with the collection records of previous years of the most recent capital campaign and of previous fundraising campaigns and concluded that an allowance for uncollectible unconditional promises receivable was not required.

The discount was calculated using a risk-free rate of return of approximately 1%.

NOTE 4 - PROPERTY AND EQUIPMENT

The major classes of fixed assets and the estimated useful lives for depreciation purposes for the years ended April 30, 2014 and 2013 are as follows. Land and construction in progress are not depreciated.

<u>Classification</u>	<u>2014</u>	<u>2013</u>	<u>Life/Years</u>
Land	\$ 807,306	\$ 807,306	---
Land Improvements	3,902,327	3,767,617	20
Buildings	12,751,999	12,553,722	25-40
Furniture and Equipment	536,072	567,768	5-10
Exhibits	2,567,177	2,567,177	10
Non-Accessioned Boats	497,402	545,402	20-40
Construction in Progress	<u>---</u>	<u>134,710</u>	---
Total Cost	21,062,283	20,943,702	
Accumulated Depreciation	<u>(11,061,379)</u>	<u>(10,331,241)</u>	
Net Property and Equipment	\$ <u>10,000,904</u>	\$ <u>10,612,461</u>	

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

NOTE 4 - PROPERTY AND EQUIPMENT (CONTINUED)

The State of Maryland retains an historical easement on the Small Boat Shed. Also, the State has a maintenance lien on the Knapps Narrows Bridge if prescribed maintenance is not performed by the Museum.

NOTE 5 - TRUSTS AND BEQUESTS

Split-interest agreement receivables at April 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Charitable Lead Annuity Trust	\$ 52,340	\$ 61,122
Charitable Lead Unitrust	445,501	438,682
Charitable Remainder Unitrusts	<u>34,513</u>	<u>76,006</u>
 Total Split-Interest Agreement Receivables	 \$ <u>532,354</u>	 \$ <u>575,810</u>

Charitable Lead Annuity Trust

This trust was recorded at its net realizable value using a 6.58% interest rate based on a risk-free rate of return. At April 30, 2014 and 2013, remaining distributions are shown net of discount as a split-interest receivable in the totals above.

	<u>2014</u>	<u>2013</u>
Receivable in Less than One Year	\$ 12,804	\$ 12,804
Receivable in More than Five Years	<u>49,453</u>	<u>62,257</u>
 Total Distributions Receivable	 62,257	 75,061
Less Discounts to Net Present Value	<u>(9,917)</u>	<u>(13,939)</u>
 Net Distribution Receivable at April 30	 \$ <u>52,340</u>	 \$ <u>61,122</u>

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

NOTE 5 - TRUSTS AND BEQUESTS (CONTINUED)

Charitable Lead Unitrust

This trust was recorded at its net realizable value using a 6.25% interest rate based on a risk-free rate of return. At April 30, 2014 and 2013, quarterly distributions for thirty years are shown net of discount as a split-interest receivable in the total above:

	<u>2014</u>	<u>2013</u>
Receivable in Less than One Year	\$ 20,154	\$ 15,971
Receivable in One to Five Years	75,688	79,854
Receivable in More than Five Years	<u>505,155</u>	<u>523,616</u>
 Total Distributions Receivable	 600,977	 619,441
 Less Discounts to Net Present Value	 <u>(155,476)</u>	 <u>(180,809)</u>
 Net Distribution Receivable at April 30	 \$ <u>445,501</u>	 \$ <u>438,682</u>

Charitable Remainder Trusts

The Museum is the irrevocable beneficiary of one charitable remainder annuity trust and one charitable remainder trust. These trusts are permanently restricted for the endowment and were recorded as capital campaign contributions based on the Museum's charitable remainder interest of the trust as calculated at the date of the donation and based on the life expectancy of the income beneficiaries. The trusts receivable at April 30, 2014 and 2013 was \$34,513 and \$76,006, respectively.

Other Trusts and Bequests

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

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

NOTE 6 - FAIR VALUE MEASUREMENTS

The following table presents the Museum's fair value hierarchy for the assets and liabilities measured at fair value on a recurring basis as of April 30, 2014:

<u>2014</u>	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	<u>Total</u>
Investments:				
Cash	\$ 298,946	\$ ---	\$ ---	\$ 298,946
Mutual Funds - Fixed Income	2,816,523	---	---	2,816,523
Mutual Funds - Emerging and International Markets, Large Cap	1,687,157	---	---	1,687,157
Mutual Funds - World Large Cap	1,276,970	---	---	1,276,970
Mutual Funds - Domestic Mid Cap	1,093,136	---	---	1,093,136
Mutual Funds - Domestic Large Cap	2,644,390	---	---	2,644,390
Municipal Bonds	---	62,897	---	62,897
Mortgage-Backed Securities	---	---	<u>30,537</u>	<u>30,537</u>
Total Investments	<u>9,817,122</u>	<u>62,897</u>	<u>30,537</u>	<u>9,910,556</u>
Planned Gift Investments:				
Cash Surrender Value, Life Insurance	---	---	5,478	5,478
Pooled Income Fund	---	<u>5,145</u>	---	<u>5,145</u>
Total Planned Gift Investments	---	5,145	5,478	10,623

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

<u>2014</u>	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	<u>Total</u>
Split-Interest Agreements Receivable – Beneficial Interest in Charitable Lead Annuity Trust	\$ ---	\$ 52,340	\$ ---	\$ 52,340
Contribution Receivable – Beneficial Interest in Charitable Lead Unitrust	---	445,501	---	445,501
Contribution Receivable – Beneficial Interest in Charitable Remainder Trust	<u>---</u>	<u>---</u>	<u>34,513</u>	<u>34,513</u>
Total Beneficial Interest in Trusts Receivable	<u>---</u>	<u>497,841</u>	<u>34,513</u>	<u>532,354</u>
Total Assets at Fair Value	\$ <u>9,817,122</u>	\$ <u>565,883</u>	\$ <u>70,528</u>	\$ <u>10,453,533</u>

The following table presents the Museum’s fair value hierarchy for the assets and liabilities measured at fair value on a recurring basis as of April 30, 2013:

<u>2013</u>	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	<u>Total</u>
Investments:				
Cash	\$ 309,033	\$ ---	\$ ---	\$ 309,033
Mutual Funds - Emerging and International Markets, Large Cap	1,959,237	---	---	1,959,237
Mutual Funds - World Large Cap	1,772,394	---	---	1,772,394

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

<u>2013</u>	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	<u>Total</u>
Mutual Funds - Domestic				
Mid Cap	\$ 858,036	\$ ---	\$ ---	\$ 858,036
Mutual Funds - Domestic				
Large Cap	2,143,521	---	---	2,143,521
Corporate Bonds	---	542,013	---	542,013
Government Bonds and				
Notes	152,805	---	---	152,805
Government Agency				
Bonds	---	588,881	---	588,881
Municipal Bonds	---	233,926	---	233,926
Mortgage-Backed				
Securities	---	---	<u>287,400</u>	<u>287,400</u>
Total Investments	<u>7,195,026</u>	<u>1,364,820</u>	<u>287,400</u>	<u>8,847,246</u>
Planned Gift Investments:				
Cash Surrender Value,				
Life Insurance	---	---	5,478	5,478
Pooled Income Fund	---	<u>5,145</u>	---	<u>5,145</u>
Total Planned Gift				
Investments	---	5,145	5,478	10,623
Split-Interest Agreements				
Receivable – Beneficial				
Interest in Charitable				
Lead Annuity Trust	---	61,122	---	61,122
Contribution Receivable –				
Beneficial Interest in				
Charitable Lead Unitrust	---	438,682	---	438,682
Contribution Receivable –				
Beneficial Interest in				
Charitable Remainder				
Trust	---	---	<u>76,006</u>	<u>76,006</u>
Total Beneficial				
Interest in Trusts				
Receivable	---	<u>499,804</u>	<u>76,006</u>	<u>575,810</u>
Total Assets at Fair				
Value	\$ <u>7,195,026</u>	\$ <u>1,869,769</u>	\$ <u>368,884</u>	\$ <u>9,433,679</u>

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

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

<u>2014</u>	Contribution Receivable - Beneficial Interest in Charitable Remainder Trust	Cash Surrender Value, Life Insurance	<u>Mortgages</u>
May 1, 2013	\$ 76,006	\$ 5,478	\$ 287,400
Gains (Losses)	---	---	241
Purchases	---	---	---
Settlements	<u>(41,493)</u>	<u>---</u>	<u>(257,104)</u>
April 30, 2014	\$ <u>34,513</u>	\$ <u>5,478</u>	\$ <u>30,537</u>
<u>2013</u>	Contribution Receivable - Beneficial Interest in Charitable Remainder Trust	Cash Surrender Value, Life Insurance	<u>Mortgages</u>
May 1, 2012	\$ 76,006	\$ 5,478	\$ 295,703
Gains (Losses)	---	---	3,827
Purchases	---	---	39,897
Settlements	<u>---</u>	<u>---</u>	<u>(52,027)</u>
April 30, 2013	\$ <u>76,006</u>	\$ <u>5,478</u>	\$ <u>287,400</u>

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

NOTE 7 - ACCOUNTS PAYABLE

The Museum has accounts payable totaling \$499,509 and \$67,804 at April 30, 2014 and 2013, respectively. These amounts comprised of the following balances:

	<u>2014</u>	<u>2013</u>
Accounts Payable	\$ 124,066	\$ 67,804
Retirement Payable	25,443	---
Funds Held in Escrow	<u>350,000</u>	<u>---</u>
Total	\$ <u>499,509</u>	\$ <u>67,804</u>

The Museum allows all employees with at least 12 years of service to rollover one week of unused vacation each year to be paid at retirement (minimum age 55). This rollover is limited to a total of 8 weeks. If the employee or the Museum terminates employment prior to age 55 the retirement payable is forfeited.

Funds held in escrow represent monies held on behalf of a member of the Museum for the purchase of the Winnie Estelle buy-boat.

NOTE 8 - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2014</u>	<u>2013</u>
Private Foundation, note payable for cash flow. Interest payable in quarterly installments starting July 2009, principal payable in quarterly installments starting June 2013, including interest at 1.93% through March 2018.	\$ <u>900,000</u>	\$ <u>960,000</u>
Outstanding debt	900,000	960,000
Current maturities	<u>100,000</u>	<u>60,000</u>
Long term debt	\$ <u>800,000</u>	\$ <u>900,000</u>

Scheduled principal payments are as follows:

2015	\$ 100,000
2016	200,000
2017	200,000
2018	<u>400,000</u>
Total	\$ <u>900,000</u>

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

NOTE 9 - ENDOWMENT

Endowment net asset composition by type of fund as of April 30, 2014 is as follows:

<u>2014</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Endowment Net Assets</u>
Donor-Restricted Endowment Funds	\$ (756,687)	\$ 1,990,602	\$ 9,277,370	\$ 10,511,285
Board-Designated Endowment Funds	<u>1,099,271</u>	---	---	<u>1,099,271</u>
Total	\$ <u>342,584</u>	\$ <u>1,990,602</u>	\$ <u>9,277,370</u>	\$ <u>11,610,556</u>

<u>2014</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Endowment Net Assets</u>
Endowment Net Assets, Beginning of Year	\$ 294,653	\$ 1,704,998	\$ 8,584,253	\$ 10,583,904
Contributions	31,346	---	693,117	724,463
Investment Income	17,443	300,375	---	317,818
Net Appreciation (Depreciation)	26,584	457,787	---	484,371
Amounts Appropriated For Expenditure	<u>(27,442)</u>	<u>(472,558)</u>	---	<u>(500,000)</u>
Endowment Net Assets, End of Year	\$ <u>342,584</u>	\$ <u>1,990,602</u>	\$ <u>9,277,370</u>	\$ <u>11,610,556</u>

Endowment net asset composition by type of fund as of April 30, 2013 is as follows:

<u>2013</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Endowment Net Assets</u>
Donor-Restricted Endowment Funds	\$ (812,526)	\$ 1,704,998	\$ 8,584,253	\$ 9,476,725
Board-Designated Endowment Funds	<u>1,107,179</u>	---	---	<u>1,107,179</u>
Total	\$ <u>294,653</u>	\$ <u>1,704,998</u>	\$ <u>8,584,253</u>	\$ <u>10,583,904</u>

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

NOTE 9 - ENDOWMENT (CONTINUED)

<u>2013</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Endowment Net Assets</u>
Endowment Net Assets, Beginning of Year	\$ 1,237,283	\$ 1,261,542	\$ 8,528,845	\$ 11,027,670
Contributions	200	1,375	55,408	56,983
Investment Income	39,331	304,139	---	343,470
Net Appreciation (Depreciation)	74,934	579,445	---	654,379
Amounts Appropriated For Expenditure	<u>(1,057,095)</u>	<u>(441,503)</u>	<u>---</u>	<u>(1,498,598)</u>
Endowment Net Assets, End of Year	\$ <u>294,653</u>	\$ <u>1,704,998</u>	\$ <u>8,584,253</u>	\$ <u>10,583,904</u>

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

	<u>2014</u>	<u>2013</u>
<u>Restrictions on Net Assets</u>		
Endowment:		
Educational Program	\$ 89,723	\$ 87,554
Apprenticeship Program	28,121	25,695
Buildings/Campus	6,842	54,609
General	<u>1,865,916</u>	<u>1,537,140</u>
	1,990,602	1,704,998
Time Restricted	127,386	209,927
Collection Acquisitions	5,261	5,261
Long Range Plan	119,219	264,073
Pooled Income	5,144	5,144
Library Building/Improvements	2,059	2,059
Edmee S	376	376
Rosie Parks Restoration	---	29,351
Special Exhibit Fund	40,000	40,000
John Smith Shallop	<u>10,000</u>	<u>10,000</u>
Total	\$ <u>2,300,047</u>	\$ <u>2,271,189</u>

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS

	<u>2014</u>	<u>2013</u>
<u>Permanently Restricted Net Assets</u>		
Endowment:		
Scholarships	\$ 2,238,244	\$ 2,238,244
Educational Programs	100,000	100,000
Center for Chesapeake Studies	972,201	972,201
Buildings/Campus	131,442	131,442
Historic Vessels	371,074	347,776
Sailing Programs	113,092	113,092
Apprentice Programs	72,193	72,193
Library/Curatorial	292,225	292,225
No Programmatic Restrictions	<u>4,986,899</u>	<u>4,317,080</u>
	9,277,370	8,584,253
Split-Interest Agreements	<u>532,354</u>	<u>575,810</u>
 Total	 \$ <u>9,809,724</u>	 \$ <u>9,160,063</u>

NOTE 12 - SPECIAL EVENTS INCOME

During the years ended April 30, 2014 and 2013, the Museum hosted two special events, the Boating Party and the Concours d' Elegance.

	<u>2014</u>	<u>2013</u>
Revenues:		
Contributions	\$ 124,800	\$ 111,750
Special Event Revenue	<u>120,792</u>	<u>145,714</u>
 Total	 245,592	 257,464
 Less: Expenses	 <u>118,619</u>	 <u>118,434</u>
 Increase in Unrestricted Net Assets	 \$ <u>126,973</u>	 \$ <u>139,030</u>

NOTE 13 - EMPLOYEE PENSION PLANS

The Chesapeake Bay Maritime Museum, Inc. established a defined contribution plan with TIAA/CREF as of January 1, 1988. All employees, except those whose employment is incidental to the Museum's educational programs, are eligible to participate on a voluntary basis. Employees working more than 1,000 hours in a calendar year can participate (contribute) to the plan immediately. After a two-year (consecutive) waiting period, they can receive a 7% match if they contribute a minimum of 3% of their annual salary at the Museum.

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013

NOTE 13 - EMPLOYEE PENSION PLANS (CONTINUED)

All contributions are funded as accrued or withheld.

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

The Chesapeake Bay Maritime Museum, Inc. participates in a retirement program (tax deferred annuity arrangement) under Internal Revenue Code 403(b) which allows eligible employees to set aside a portion of their salaries on a pre-tax basis. Chesapeake Bay Maritime Museum, Inc. contributes 7% of eligible employees' salaries.

The Chesapeake Bay Maritime Museum's contributions for the years ended April 30, 2014 and 2013 were \$65,201 and \$60,903, respectively.

NOTE 14 - ADVERTISING

Advertising expense was \$66,970 and \$58,824 for the years ended April 30, 2014 and 2013, respectively.