

CHESAPEAKE BAY MARITIME MUSEUM, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
APRIL 30, 2013 AND 2012

CHESAPEAKE BAY MARITIME MUSEUM, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2013 AND 2012

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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 non-profit organization), which comprise the statements of financial position as of April 30, 2013 and 2012, and the related statements of activities, 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 of 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, 2013 and 2012, 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.


Annapolis, Maryland
July 10, 2013

CHESAPEAKE BAY MARITIME MUSEUM, INC.
STATEMENTS OF FINANCIAL POSITION
APRIL 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,097,764	\$ 1,260,898
Accounts and Grants Receivable	83,983	17,040
Split-Interest Agreements Receivable, Current Portion	28,775	18,464
Contributions Receivable, Current Portion	112,500	104,000
Inventories at Lower of Cost or Fair Value	45,429	61,096
Boat Shop Inventory at Lower of Cost or Fair Value	27,504	41,626
Prepaid Expenses	17,063	37,397
Total Current Assets	<u>1,413,018</u>	<u>1,540,521</u>
PROPERTY AND EQUIPMENT	10,612,461	11,178,806
OTHER ASSETS		
Contributions Receivable, Net of Current Portion	97,426	189,232
Split-Interest Agreements Receivable, Net of Current Portion	547,035	555,291
Planned Gifts Investments at Fair Value	10,623	10,623
Investments at Fair Value	8,847,246	9,284,772
Total Other Assets	<u>9,502,330</u>	<u>10,039,918</u>
Total Assets	<u>\$ 21,527,809</u>	<u>\$ 22,759,245</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 67,804	\$ 165,182
Accrued Salaries and Related Expenses	120,693	121,623
Deferred Income and Deposits	117,546	158,720
Long Term Debt, Current Portion	60,000	40,000
Total Current Liabilities	<u>366,043</u>	<u>485,525</u>
LONG TERM DEBT, LESS CURRENT MATURITIES	<u>900,000</u>	<u>1,960,000</u>
Total Liabilities	1,266,043	2,445,525
NET ASSETS		
Unrestricted Undesignated	8,535,861	8,065,584
Unrestricted - Board Designated for Endowment	294,653	1,237,283
Total Unrestricted	<u>8,830,514</u>	<u>9,302,867</u>
Temporarily Restricted	2,271,189	1,908,253
Permanently Restricted	9,160,063	9,102,600
Total Net Assets	<u>20,261,766</u>	<u>20,313,720</u>
Total Liabilities and Net Assets	<u>\$ 21,527,809</u>	<u>\$ 22,759,245</u>

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

CHESAPEAKE BAY MARITIME MUSEUM, INC.
STATEMENT OF ACTIVITIES
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 Gain 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
Gain on Disposal of Assets	19,155	-	-	19,155
Other Income	266	-	-	266
Net Assets Released from Restrictions	981,519	(981,519)	-	-
	<u>3,842,602</u>	<u>362,936</u>	<u>57,463</u>	<u>4,263,001</u>
EXPENSES				
Program Expenses	3,291,372	-	-	3,291,372
Administrative Expenses	568,709	-	-	568,709
Fundraising Expenses	454,874	-	-	454,874
	<u>4,314,955</u>	<u>-</u>	<u>-</u>	<u>4,314,955</u>
Change in Net Assets	(472,353)	362,936	57,463	(51,954)
Net Assets at Beginning of Year	<u>9,302,867</u>	<u>1,908,253</u>	<u>9,102,600</u>	<u>20,313,720</u>
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 ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT				
Contributions	\$ 698,517	\$ 746,609	\$ 64,821	\$ 1,509,947
Membership	421,522	-	-	421,522
Grants	-	70,022	-	70,022
Special Events	381,289	-	-	381,289
General Admissions	506,842	-	-	506,842
Grounds Rentals	51,964	-	-	51,964
Educational Programs	74,563	-	-	74,563
Changes in the Value of				
Split-Interest Agreements	25,004	-	-	25,004
Investment Income	34,628	339,132	-	373,760
Realized Gain on Investments	69,497	549,903	-	619,400
Unrealized Loss on Investments	(123,412)	(992,773)	-	(1,116,185)
Museum Store Gross Profit, Net of Costs of Goods Sold of \$118,278	133,662	-	-	133,662
Rental Income	16,100	-	-	16,100
Sales of Donated Boats	333,252	-	-	333,252
Other Miscellaneous Sales	18,315	-	-	18,315
Loss on Disposal of Assets	(5,773)	-	-	(5,773)
Other Income	28,732	-	-	28,732
Net Assets Released from Restrictions	<u>1,198,909</u>	<u>(1,198,909)</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Support	3,863,611	(486,016)	64,821	3,442,416
EXPENSES				
Program Expenses	3,110,220	-	-	3,110,220
Administrative Expenses	534,774	-	-	534,774
Fundraising Expenses	<u>407,954</u>	<u>-</u>	<u>-</u>	<u>407,954</u>
Total Expenses	<u>4,052,948</u>	<u>-</u>	<u>-</u>	<u>4,052,948</u>
Change in Net Assets	(189,337)	(486,016)	64,821	(610,532)
Net Assets at Beginning of Year	<u>9,492,204</u>	<u>2,394,269</u>	<u>9,037,779</u>	<u>20,924,252</u>
Net Assets at End of Year	<u>\$ 9,302,867</u>	<u>\$ 1,908,253</u>	<u>\$ 9,102,600</u>	<u>\$ 20,313,720</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, 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.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED APRIL 30, 2012

	<u>Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Collection and Library Acquisition	\$ 64	\$ -	\$ -	\$ 64
Contribution	-	3,950	-	3,950
Depreciation	760,603	18,923	18,923	798,449
Exhibit	115,418	-	-	115,418
Insurance	190,043	11,148	12,017	213,208
Interest and Finance Charges	-	39,875	-	39,875
Investment Fees	-	38,983	-	38,983
Maintenance	77,209	-	-	77,209
Membership	1,422	3,497	7,974	12,893
Miscellaneous	52,538	10,424	40,224	103,186
Occupancy and Utilities	85,711	5,346	3,207	94,264
Office Expense	73,071	28,674	8,755	110,500
Other Education Expense	10,165	-	-	10,165
Other Employee Benefits	4,350	-	-	4,350
Payroll Taxes	96,859	33,487	7,778	138,124
Pension Plan	44,635	10,668	4,059	59,362
Postage and Shipping	16,196	996	9,789	26,981
Printing and Publications	45,147	-	38,287	83,434
Professional Fees	25	40,426	13,207	53,658
Programs	112,000	-	-	112,000
Promotion	69,186	-	13,477	82,663
Salaries	1,299,962	280,981	49,117	1,630,060
Special Events	-	-	179,199	179,199
Staff Development	6,788	-	-	6,788
Supplies and Equipment	33,021	-	328	33,349
Telephone	13,309	1,783	1,509	16,601
Travel	2,498	5,613	104	8,215
	<u>3,110,220</u>	<u>534,774</u>	<u>407,954</u>	<u>4,052,948</u>
Total Expenses	\$ <u>3,110,220</u>	\$ <u>534,774</u>	\$ <u>407,954</u>	\$ <u>4,052,948</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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (51,954)	\$ (610,532)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	803,463	798,449
(Gain) Loss on Disposal of Assets	(19,155)	5,773
Realized Gain on Sale of Investments	(604,438)	(619,400)
Unrealized Loss (Gain) on Investments	(50,791)	1,116,185
(Increase) Decrease in:		
Accounts and Grants Receivable	(66,943)	16,114
Split-Interest Receivable	(2,055)	2,984
Contributions Receivable	83,306	(16,387)
Inventory	15,667	1,134
Boat Shop Inventory	14,122	20,229
Prepaid Expenses	20,334	38,394
Planned Gift Investments	-	(192)
Increase (Decrease) in:		
Accounts Payable	(97,378)	95,967
Accrued Salaries and Related Expenses	(930)	18,341
Deferred Revenue and Security Deposits	(41,174)	65,791
Net Cash Provided by Operating Activities	<u>2,074</u>	<u>932,850</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(237,963)	(510,187)
Sale of Property and Equipment	20,000	-
Proceeds from Sale of Investments	6,730,678	5,832,819
Purchase of Investments	<u>(5,637,923)</u>	<u>(5,875,830)</u>
Net Cash Provided (Used) by Investing Activities	874,792	(553,198)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long Term Debt	<u>(1,040,000)</u>	<u>-</u>
Net Cash Used for Financing Activities	<u>(1,040,000)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(163,134)	379,652
Cash and Cash Equivalents, Beginning of Year	<u>1,260,898</u>	<u>881,246</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,097,764</u>	<u>\$ 1,260,898</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest Paid	<u>\$ 34,110</u>	<u>\$ 39,875</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, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

By offering unique educational experiences, the Chesapeake Bay Maritime 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 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.

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.

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, 2013 AND 2012

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, 2013 and 2012, all accounts are considered fully collectible based on management's analysis of outstanding balances and historical collection experience.

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.

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.

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2013 AND 2012

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.

Land, Buildings and Equipment

The properties and equipment owned by the Museum are capitalized at cost if purchased, or at 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 also 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.

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.

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.

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

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.

Inventories for resale consist of the following as of April 30:

	<u>2013</u>	<u>2012</u>
Museum Store Merchandise	\$ <u>45,429</u>	\$ <u>61,096</u>
Lumber Inventory for the Boat Shop	\$ <u>27,504</u>	\$ <u>41,626</u>

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.

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.

Membership Dues

Membership dues are recorded as support when received.

Cash Management

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, 2013 that exceeds the balance insured by the FDIC by approximately \$806,500. 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.

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.

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

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.

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 28,002 and 28,220 volunteer hours during the years ended April 30, 2013 and 2012, respectively. The value of this contributed time is not reflected in these statements because it is not susceptible to objective measurement or valuation.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain administrative costs have been allocated among the programs and supporting services benefited.

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, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

Advertising

All advertising costs are expensed as incurred. Advertising expense was \$58,824 and \$54,048 for the years ended April 30, 2013 and 2012, respectively.

Uncertainty in Income Taxes

The Museum adopted FASB ASC 740, which presented a comprehensive model for how an entity should measure, recognize, present and disclose in its financial statements uncertain tax positions that the Museum has taken or expects to take on a tax return as of May 1, 2009. Under this standard, the Museum recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. For the years ended April 30, 2013 and 2012, the Museum has documented its consideration of FASB ASC 740-10 and determined that no material uncertain positions qualify for either recognition or disclosure in the financial statements. The Museum's income tax filings are subject to audit by the IRS and Maryland. The Museum's open audit periods are 2010-2012.

NOTE 2 - PROPERTY AND EQUIPMENT

The major classes of fixed assets and the estimated useful lives for depreciation purposes for the years ended April 30, 2013 and 2012 are as follows. Land and construction in progress are not depreciated.

<u>Classification</u>	<u>2013</u>	<u>2012</u>	<u>Life/Years</u>
Land	\$ 807,306	\$ 808,151	---
Land Improvements	3,767,617	3,187,761	20
Buildings	12,553,722	12,534,687	25-40
Furniture and Equipment	567,768	554,499	5-10
Exhibits	2,567,177	2,567,177	10
Non-Accessioned Boats	545,402	545,402	20-40
Construction in Progress	<u>134,710</u>	<u>508,907</u>	---
Total Cost	20,943,702	20,706,584	
Accumulated Depreciation	<u>(10,331,241)</u>	<u>(9,527,778)</u>	
Net Cost	\$ <u>10,612,461</u>	\$ <u>11,178,806</u>	

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.

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2013 AND 2012

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, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Gross unconditional promises to give	\$ 211,506	304,000
Less unamortized discount	<u>(1,580)</u>	<u>(10,768)</u>
Net unconditional promises to give	\$ <u>209,926</u>	<u>293,232</u>
Amount due in:		
Less than one year	\$ 112,500	104,000
One to five years	<u>97,426</u>	<u>189,232</u>
Total contributions receivable	\$ <u>209,926</u>	<u>293,232</u>

The Museum evaluated fiscal years 2013 and 2012 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 - TRUSTS AND BEQUESTS

Split-interest agreement receivables at April 30, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Charitable Lead Annuity Trust	\$ 61,122	\$ 69,362
Charitable Lead Unitrust	438,682	428,387
Charitable Remainder Unitrusts	<u>76,006</u>	<u>76,006</u>
Total Split-Interest Agreement Receivables	\$ <u>575,810</u>	\$ <u>573,755</u>

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2013 AND 2012

NOTE 4 - TRUSTS AND BEQUESTS (CONTINUED)

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, 2013 and 2012, remaining distributions are shown net of discount as a split-interest receivable in the totals above.

	<u>2013</u>	<u>2012</u>
Receivable in Less than One Year	\$ 12,804	\$ 12,804
Receivable in One to Five Years	62,257	64,020
Receivable in More than Five Years	<u>---</u>	<u>11,041</u>
Total Distributions Receivable	75,061	87,865
Less Discounts to Net Present Value	<u>(13,939)</u>	<u>(18,503)</u>
Net Distribution Receivable at April 30	\$ <u>61,122</u>	\$ <u>69,362</u>

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, 2013 and 2012, quarterly distributions for thirty years are shown net of discount as a split-interest receivable in the total above:

	<u>2013</u>	<u>2012</u>
Receivable in Less than One Year	\$ 15,971	\$ 18,464
Receivable in One to Five Years	79,854	73,856
Receivable in More than Five Years	<u>523,616</u>	<u>543,092</u>
Total Distributions Receivable	619,441	635,412
Less Discounts to Net Present Value	<u>(180,809)</u>	<u>(207,024)</u>
Net Distribution Receivable at April 30	\$ <u>438,682</u>	\$ <u>428,388</u>

Charitable Remainder Trusts

The Museum is the irrevocable beneficiary of one charitable remainder annuity trust and two charitable remainder trusts. 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, 2013 and 2012 was \$76,006 and \$76,006, respectively.

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2013 AND 2012

NOTE 4 - TRUSTS AND BEQUESTS (CONTINUED)

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.

NOTE 5 - SPECIAL EVENTS INCOME

During the years ended April 30, 2013 and 2012, the Museum hosted two special events, the Boating Party and the Concours d' Elegance.

	<u>2013</u>	<u>2012</u>
Revenues:		
Contributions	\$ 111,750	\$ 113,675
Special Event Revenue	<u>145,714</u>	<u>267,614</u>
Total	257,464	381,289
Less: Expenses	<u>118,434</u>	<u>179,199</u>
Increase in Unrestricted Net Assets	\$ <u>139,030</u>	\$ <u>202,090</u>

NOTE 6 - 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. 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, 2013 and 2012 were \$60,903 and \$59,362, respectively.

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2013 AND 2012

NOTE 7 - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2013</u>	<u>2012</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>960,000</u>	\$ <u>2,000,000</u>
Outstanding debt	960,000	2,000,000
Current maturities	<u>60,000</u>	<u>40,000</u>
Long term debt	\$ <u>900,000</u>	\$ <u>1,960,000</u>

Scheduled principal payments are as follows:

2014	\$	60,000
2015		100,000
2016		200,000
2017		200,000
2018		<u>400,000</u>
Total	\$	<u>960,000</u>

NOTE 8 - COMPENSATED ABSENCES

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

NOTE 9 - INCOME TAXES

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, 2013 and 2012 no income taxes were due. All other phases of the Museum's operations are exempt from income taxes as a public charity under IRS Section 501(c)(3).

NOTE 10 - COMMITMENTS

Capital Construction Projects

At the end of the fiscal year, construction in progress projects consists of the Living Shoreline and related projects.

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2013 AND 2012

NOTE 11 - 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, 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
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

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2013 AND 2012

NOTE 11 - 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>
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>---</u>	<u>---</u>	<u>76,006</u>	<u>76,006</u>
Total Beneficial Interest in Trusts Receivable	<u>---</u>	<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>

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, 2012:

<u>2012</u>	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	<u>Total</u>
Investments:				
Cash	\$ 546,653	\$ ---	\$ ---	\$ 546,653
Mutual Funds - Fixed Income	1,241,101	---	---	1,241,101
Mutual Funds - Emerging and International Markets, Large Cap	1,979,092	---	---	1,979,092
Mutual Funds - World Large Cap	1,133,348	---	---	1,133,348

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2013 AND 2012

NOTE 11 - FAIR VALUE MEASUREMENTS (CONTINUED)

<u>2012</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	\$ 995,600	\$ ---	\$ ---	\$ 995,600
Mutual Funds - Domestic				
Large Cap	1,058,278	---	---	1,058,278
Corporate Bonds	---	734,381	---	734,381
Government Bonds and				
Notes	286,831	---	---	286,831
Government Agency				
Bonds	---	890,210	---	890,210
Municipal Bonds	---	123,575	---	123,575
Mortgage-Backed				
Securities	---	---	<u>295,703</u>	<u>295,703</u>
Total Investments	<u>7,240,903</u>	<u>1,748,166</u>	<u>295,703</u>	<u>9,284,772</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	---	69,362	---	69,362
Contribution Receivable –				
Beneficial Interest in				
Charitable Lead Unitrust	---	428,387	---	428,387
Contribution Receivable –				
Beneficial Interest in				
Charitable Remainder				
Trust	---	---	<u>76,006</u>	<u>76,006</u>
Total Beneficial				
Interest in Trusts				
Receivable	---	<u>497,749</u>	<u>76,006</u>	<u>573,755</u>
Total Assets at Fair				
Value	\$ <u>7,240,903</u>	\$ <u>2,251,060</u>	\$ <u>377,187</u>	\$ <u>9,869,150</u>

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2013 AND 2012

NOTE 11 - FAIR VALUE MEASUREMENTS (CONTINUED)

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 valued on the market approach, based 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 valued on the market approach, 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.

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.

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

<u>2013</u>	Contribution Receivable - Beneficial Interest in Charitable <u>Remainder Trust</u>	Cash Surrender Value, Life <u>Insurance</u>	<u>Mortgages</u>
May 1, 2012	\$ 76,006	\$ 5,478	\$ 295,703
Gains (Losses)	---	---	3,827
Purchases	---	---	39,897
Settlements	---	---	(52,027)
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, 2013 AND 2012

NOTE 11 - FAIR VALUE MEASUREMENTS (CONTINUED)

<u>2012</u>	Contribution Receivable - Beneficial Interest in Charitable <u>Remainder Trust</u>	Cash Surrender Value, Life <u>Insurance</u>	<u>Mortgages</u>
May 1, 2011	\$ 76,006	\$ 5,287	\$ 88,647
Gains (Losses)	---	191	5,926
Purchases	---	---	213,282
Settlements	<u>---</u>	<u>---</u>	<u>(12,152)</u>
April 30, 2012	\$ <u>76,006</u>	\$ <u>5,478</u>	\$ <u>295,703</u>

NOTE 12 - ENDOWMENT

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.

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2013 AND 2012

NOTE 12 - ENDOWMENT (CONTINUED)

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.

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.

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2013 AND 2012

NOTE 12 - ENDOWMENT (CONTINUED)

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>
<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>(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>

Endowment net asset composition by type of fund as of April 30, 2012 is as follows:

<u>2012</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Endowment Net Assets</u>
Donor-Restricted Endowment Funds	\$ (1,101,865)	\$ 1,261,542	\$ 8,528,845	\$ 8,688,522
Board-Designated Endowment Funds	<u>2,339,148</u>	---	---	<u>2,339,148</u>
Total	\$ <u>1,237,283</u>	\$ <u>1,261,542</u>	\$ <u>8,528,845</u>	\$ <u>11,027,670</u>

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2013 AND 2012

NOTE 12 - ENDOWMENT (CONTINUED)

<u>2012</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Endowment Net Assets</u>
Endowment Net Assets, Beginning of Year	\$ 1,279,042	\$ 1,805,932	\$ 8,415,177	\$ 11,500,151
Contributions	27,038	---	113,668	140,706
Investment Income	42,860	339,132	---	381,992
Net Appreciation (Depreciation)	(55,969)	(442,870)	---	(498,839)
Amounts Appropriated For Expenditure	<u>(55,688)</u>	<u>(440,652)</u>	<u>---</u>	<u>(496,340)</u>
Endowment Net Assets, End of Year	\$ <u>1,237,283</u>	\$ <u>1,261,542</u>	\$ <u>8,528,845</u>	\$ <u>11,027,670</u>

NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
<u>Restrictions on Net Assets</u>		
Temporarily Restricted Net Assets:		
Endowment:		
Educational Program	\$ 87,554	\$ 83,839
Apprenticeship Program	25,695	21,528
Buildings/Campus	54,609	47,704
General	<u>1,537,140</u>	<u>1,108,471</u>
	1,704,998	1,261,542
Time Restricted	209,927	11,052
Collection Acquisitions	5,261	5,261
Long Range Plan	264,073	367,257
Intern Fund	---	2,900
Pooled Income	5,144	5,144
Library Building/Improvements	2,059	2,059
Edmee S	376	376
Rosie Parks Restoration	29,351	149,911
Educational Programs	---	6,400
Special Exhibit Fund	40,000	60,000
Bulkhead Restoration	---	36,351
John Smith Shallop	<u>10,000</u>	<u>---</u>
Total	\$ <u>2,271,189</u>	\$ <u>1,908,253</u>

CHESAPEAKE BAY MARITIME MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2013 AND 2012

NOTE 14 - PERMANENTLY RESTRICTED NET ASSETS

	<u>2013</u>	<u>2012</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	130,442
Historic Vessels	347,776	322,637
Sailing Programs	113,092	112,792
Apprentice Programs	72,193	70,698
Library/Curatorial	292,225	292,225
No Programmatic Restrictions	<u>4,317,080</u>	<u>4,289,606</u>
	8,584,253	8,528,845
Split-Interest Agreements	<u>575,810</u>	<u>573,755</u>
 Total	 <u>\$ 9,160,063</u>	 <u>\$ 9,102,600</u>

NOTE 15 - 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 10, 2013 that would have a material impact on the financial statements.

NOTE 16 - 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, 2013 and 2012.