

**NATIONAL COAST GUARD  
MUSEUM ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**AS OF**

**DECEMBER 31, 2022 AND 2021**

**TOGETHER WITH**

**INDEPENDENT AUDITORS' REPORT**

**AND**

**SUPPLEMENTAL REPORT**



**NATIONAL COAST GUARD MUSEUM ASSOCIATION, INC.**  
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**DECEMBER 31, 2022 AND 2021**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the  
National Coast Guard Museum Association, Inc.  
New London, Connecticut

### Opinion

We have audited the accompanying financial statements of the National Coast Guard Museum Association, Inc. (the Association), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Coast Guard Museum Association, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the 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.

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2023 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

*Hoyt, Filippetti & Malaghan, LLC*

Westerly, Rhode Island  
September 11, 2023

**NATIONAL COAST GUARD MUSEUM ASSOCIATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 7,855,466	\$ 6,248,728
Investments	445,569	420,936
Grants receivable	54,740	162,221
Pledges receivable, net	4,015,594	1,904,617
Inventory	62,941	63,534
Prepaid expenses	29,583	7,879
Total current assets	12,463,893	8,807,915
PROPERTY AND EQUIPMENT, net	12,765	14,942
<b>OTHER ASSETS</b>		
Construction in progress	13,646,158	8,223,369
Pledges receivable, less current portion, net	5,368,458	3,874,827
Other assets	2,600	2,669
Total other assets	19,017,216	12,100,865
Total assets	\$ 31,493,874	\$ 20,923,722
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable		
Trade	\$ 62,347	\$ 42,154
Construction in progress	3,441,504	14,452
Accrued expenses	75,292	79,169
Total current liabilities	3,579,143	135,775
<b>NET ASSETS</b>		
Without donor restrictions	22,410,273	16,812,120
With donor restrictions	5,504,458	3,975,827
Total net assets	27,914,731	20,787,947
Total liabilities and net assets	\$ 31,493,874	\$ 20,923,722

*The accompanying notes are an integral part of these financial statements.*

**NATIONAL COAST GUARD MUSEUM ASSOCIATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES</b>						
Contributions - capital campaign	\$ 5,943,570	\$ 3,335,614	\$ 9,279,184	\$ 3,624,828	\$ 1,702,766	\$ 5,327,594
State grants - capital improvements	165,764	-	165,764	189,638	-	189,638
Paycheck Protection Program loan forgiveness	-	-	-	214,748	-	214,748
Employee Retention Credit	247,559	-	247,559	-	-	-
Other income	46,085	-	46,085	17,251	-	17,251
Investment income	23,519	-	23,519	10,729	-	10,729
Net realized and unrealized gains on investments	19,114	-	19,114	8,681	-	8,681
	<u>6,445,611</u>	<u>3,335,614</u>	<u>9,781,225</u>	<u>4,065,875</u>	<u>1,702,766</u>	<u>5,768,641</u>
Net assets released from restriction	1,806,983	(1,806,983)	-	1,306,027	(1,306,027)	-
Total revenues	<u>8,252,594</u>	<u>1,528,631</u>	<u>9,781,225</u>	<u>5,371,902</u>	<u>396,739</u>	<u>5,768,641</u>
<b>EXPENSES</b>						
Program services						
Museum development	924,200	-	924,200	711,190	-	711,190
Total program services	<u>924,200</u>	<u>-</u>	<u>924,200</u>	<u>711,190</u>	<u>-</u>	<u>711,190</u>
Supporting services						
Management and general	256,026	-	256,026	194,138	-	194,138
Fundraising	1,474,215	-	1,474,215	1,592,796	-	1,592,796
Total supporting services	<u>1,730,241</u>	<u>-</u>	<u>1,730,241</u>	<u>1,786,934</u>	<u>-</u>	<u>1,786,934</u>
Total expenses	<u>2,654,441</u>	<u>-</u>	<u>2,654,441</u>	<u>2,498,124</u>	<u>-</u>	<u>2,498,124</u>
Change in net assets	5,598,153	1,528,631	7,126,784	2,873,778	396,739	3,270,517
NET ASSETS, beginning of year	<u>16,812,120</u>	<u>3,975,827</u>	<u>20,787,947</u>	<u>13,938,342</u>	<u>3,579,088</u>	<u>17,517,430</u>
NET ASSETS, end of year	<u>\$ 22,410,273</u>	<u>\$ 5,504,458</u>	<u>\$ 27,914,731</u>	<u>\$ 16,812,120</u>	<u>\$ 3,975,827</u>	<u>\$ 20,787,947</u>

*The accompanying notes are an integral part of these financial statements.*

**NATIONAL COAST GUARD MUSEUM ASSOCIATION, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022				2021			
	Program Services	Supporting Services			Program Services	Supporting Services		
	Museum Development	Management and General	Fundraising	Total	Museum Development	Management and General	Fundraising	Total
Salaries and wages	\$ 376,297	\$ 104,532	\$ 749,187	\$ 1,230,016	\$ 383,076	\$ 107,802	\$ 845,000	\$ 1,335,878
Payroll taxes	29,147	8,123	59,314	96,584	29,539	7,612	66,086	103,237
Employee benefits	32,828	9,993	49,110	91,931	29,208	8,784	50,441	88,433
Total payroll related costs	438,272	122,648	857,611	1,418,531	441,823	124,198	961,527	1,527,548
Contract services	323,750	63,798	397,751	785,299	190,025	13,933	442,060	646,018
Postage and mailing	13,648	12,955	46,731	73,334	4,415	4,076	21,627	30,118
Computer and internet	5,607	883	57,590	64,080	4,658	993	25,472	31,123
Printing and copying	42,088	-	21,032	63,120	21,819	793	49,823	72,435
Occupancy	24,723	10,391	15,879	50,993	17,421	6,167	16,523	40,111
Special events	28,685	310	355	29,350	1,577	205	13,107	14,889
Travel and meetings	15,092	2,110	26,939	44,141	6,171	2,314	17,699	26,184
Legal and professional	-	29,576	-	29,576	2,626	27,813	-	30,439
Bank charges and credit card fees	-	74	21,352	21,426	-	97	18,746	18,843
Registration fees	10,963	130	-	11,093	9,816	150	-	9,966
Insurance	4,110	1,298	4,921	10,329	2,572	3,986	1,915	8,473
Dues and subscriptions	610	1,047	8,581	10,238	841	1,246	5,683	7,770
Promotional merchandise	2,231	-	6,503	8,734	-	-	6,087	6,087
Telecommunications	2,993	844	4,503	8,340	2,441	474	3,348	6,263
Repairs and maintenance	5,089	756	1,839	7,684	2,030	707	1,834	4,571
Supplies	3,839	1,124	2,628	7,591	1,805	622	2,727	5,154
Promotional expenses	2,100	-	-	2,100	-	-	2,118	2,118
Advertising	400	1,136	-	1,536	-	239	2,500	2,739
Public relations	-	526	-	526	1,150	-	-	1,150
Miscellaneous expenses	-	279	-	279	-	223	-	223
Interest	-	-	-	-	-	616	-	616
Total expenses before depreciation	924,200	249,885	1,474,215	2,648,300	711,190	188,852	1,592,796	2,492,838
Depreciation	-	6,141	-	6,141	-	5,286	-	5,286
Total functional expenses	\$ 924,200	\$ 256,026	\$ 1,474,215	\$ 2,654,441	\$ 711,190	\$ 194,138	\$ 1,592,796	\$ 2,498,124

*The accompanying notes are an integral part of these financial statements.*

**NATIONAL COAST GUARD MUSEUM ASSOCIATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 7,126,784	\$ 3,270,517
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities		
Net realized and unrealized gains on investments	(19,114)	(8,681)
Depreciation	6,141	5,286
Contributions - capital campaign	(4,810,072)	(3,471,103)
State grants - capital improvements	(273,244)	(112,360)
Non-cash contributions - investments	(839,504)	(570,526)
Discount on noncurrent pledges receivable	(598,006)	(86,081)
Allowance for doubtful pledges	(19,500)	-
Changes in operating assets and liabilities:		
Grants receivable	107,481	(77,278)
Pledges receivable	(2,987,102)	(698,883)
Inventory	593	1,179
Prepaid expenses	(21,704)	(793)
Other assets	69	(69)
Accounts payable - trade	20,193	9,724
Accounts payable - construction in progress	(14,452)	-
Accrued expenses	(3,877)	8,227
Net cash used in operating activities	(2,325,314)	(1,730,841)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales of investments	842,936	644,998
Purchases of property and equipment	(3,964)	(6,330)
Purchases of investments	(8,951)	(8,943)
Redemptions of certificates of deposit	-	1,043,557
Cash outlays for construction in progress	(1,981,285)	(239,767)
Net cash (used in) provided by investing activities	(1,151,264)	1,433,515
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from capital campaign contributions	4,810,072	3,471,103
Cash received from State grants for capital improvements	273,244	112,360
Net cash provided by financing activities	5,083,316	3,583,463
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,606,738	3,286,137
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	6,248,728	2,962,591
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 7,855,466	\$ 6,248,728
<b>NONCASH INVESTING ACTIVITIES</b>		
Construction in progress	\$ 5,422,789	\$ -
Accounts payable - construction in progress	(3,441,504)	-
	\$ 1,981,285	\$ -

*The accompanying notes are an integral part of these financial statements.*



**NATIONAL COAST GUARD MUSEUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION**

The National Coast Guard Museum Association, Inc. (the Association), a non-profit organization, was formed in 2001 to raise funds and apply for and administer federal and state grants for the purpose of acquiring land, designing, constructing, providing operational support and ultimately turning over to the United States Coast Guard a national museum in the City of New London, Connecticut.

**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 and disclosures in the financial statements. Actual results could differ from those estimates.

**NET ASSET CATEGORIES**

To ensure observance of limitations and restrictions placed on the use of resources available to the Association, the accounts of the Association are maintained in the following net asset categories:

**Without Donor Restrictions**

Net assets without donor restrictions consist of available resources other than donor-restricted contributions. Included in net assets without donor restrictions are grants, which are earmarked for specific purposes.

**With Donor Restrictions**

Net assets with donor restrictions represent contributions and other resources that are restricted by the donor either as to purpose or as to time of expenditure. See *Note 9* for more detail on the Association's net assets with donor restrictions.

**REVENUE AND REVENUE RECOGNITION**

**Grants and Contracts**

Grants and contracts are generally considered to be exchange transactions in which the grantor or contractor requires the performance of specific activities.

Entitlement to cost reimbursement grants and contracts is based on the expenditure of funds in accordance with grant restrictions. Therefore, revenue is recognized to the extent of grant expenditures. For performance-based grants and contracts, revenue is recognized to the extent of the performance achieved. Grant and contract receipts in excess of revenue recognized are presented as deferred grant revenue.

**NATIONAL COAST GUARD MUSEUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**REVENUE AND REVENUE RECOGNITION *(Continued)***

**Contributions**

Contributions are defined as voluntary, nonreciprocal transfers.

Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable.

Contributions are reported as support with donor restrictions if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Association's policy is to present net assets with donor restrictions received during the year whose restrictions are also met during the year with net assets without donor restrictions. Contributions received whose use is contingent on the occurrence of a future event are presented as deferred support until such conditions are substantially met, at which time they are recognized as 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 in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate applicable to the years in which the promises are received. Amortization of the discount is included in contribution support. Conditional promises to give are not recognized as support until the conditions are substantially met.

**Donated Services**

The Association recognizes donated services if they create or enhance nonfinancial assets or require specialized skills and would typically be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition in the financial statements. However, a substantial number of volunteers have donated significant amounts of time to the Association's programs.

For the years ended December 31, 2022 and 2021, there were no donated services recognized in the accompanying financial statements.

**NATIONAL COAST GUARD MUSEUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**REVENUE AND REVENUE RECOGNITION (Continued)**

**Donated Nonfinancial Assets**

Donated nonfinancial assets are recognized at their estimated fair market value.

The Association reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions in full when the donated or acquired long-lived assets are placed in service.

**Donated Financial Assets**

The Association received \$839,504 and \$570,526 of donated investments as of December 31, 2022 and 2021, respectively. The Association's policy is to sell donated investments immediately upon receipt.

**CASH EQUIVALENTS**

For purposes of the statement of cash flows, the Association defines cash equivalents as highly liquid investments with an original maturity of three months or less. The Association had cash equivalents of \$2,659,123 and \$2,259,865 as of December 31, 2022 and 2021, respectively, which consisted of a money market account.

**INVESTMENTS**

Investments consist of cash reserves and annuity contracts all of which are carried at fair value. Fair value of cash reserves is determined based on quoted market prices (Level 1 inputs as discussed in *Note 4*). Fair value of annuity contracts is determined based on the guaranteed rate of return (Level 3 inputs as discussed in *Note 4*). Realized and unrealized gains and losses on these investments are reported in the statement of activities as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulations or by law. Investment income and gains restricted by donors are reported as increases in net assets with donor restrictions.

**INVENTORY**

Inventory consists primarily of framed and unframed prints, a commissioned painting, and books which are given to donors in appreciation for their support. These items are stated at the lower of cost or market value. Inventory is valued at \$62,941 and \$63,534 for the years ended December 31, 2022 and 2021, respectively.

**PROPERTY AND EQUIPMENT**

Property and equipment acquisitions and improvements thereon are capitalized at cost, if purchased or at market or assessed value on the date of gift or bequest. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets. The Association does not capitalize its collections.

**NATIONAL COAST GUARD MUSEUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**PROPERTY AND EQUIPMENT (Continued)**

Maintenance and repairs are charged to expense as incurred. The Association uses the direct expense method for any planned major maintenance activities.

**COLLECTIONS**

The Association has collections of historical artifacts which have been donated or purchased and which will be on public display in the future museum. In accordance with accounting policies generally followed by museums, the value of the Association's historical artifact collections is excluded from the financial statements.

**EXPENSES BY FUNCTION**

The financial statements of the National Coast Guard Museum Association report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include office, occupancy, salaries and benefits which are allocated based on time and effort studies.

**INCOME TAXES**

The Internal Revenue Service has determined that the Association is exempt from federal income taxes on exempt function income as a public charity under Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes has been made in the accompanying financial statements.

The Association did not recognize any liability for uncertain tax positions as defined by accounting principles generally accepted in the United States of America.

The Association's tax returns for the years ended December 31, 2022 and 2021 are subject to examination by the IRS, generally for three years after they have been filed.

**SUBSEQUENT EVENTS**

The Association has performed an evaluation of subsequent events through September 11, 2023, which is the date the financial statements were available to be issued. There are no subsequent events identified that require disclosure.

**NOTE 2 - CONCENTRATIONS**

**CONCENTRATIONS OF CREDIT RISK**

The Association's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments, grants receivable and pledges receivable.

**NATIONAL COAST GUARD MUSEUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 2 - CONCENTRATIONS (Continued)**

**Cash and Cash Equivalents**

The Association places its cash deposits in high quality financial institutions. At times, the bank balances of these deposits may exceed federal depository insurance limits. Management considers this to be a normal business risk.

**Investments**

Management considers investments to be sufficiently diversified to minimize individual investment and industry concentration risks. However, investments are subject to risks of the securities markets as a whole.

**Grants Receivable**

Grants receivable consist of amounts due from the State of Connecticut Department of Economic and Community Development under a reimbursement type grant. Management believes this represents a minimal concentration risk.

**Pledges Receivable**

Pledges receivable consist of unconditional promises to give to be received over multiple years. Two donors accounted for approximately fifty-seven percent (57%) of the receivable balance at December 31, 2022.

As of December 31, 2022 and 2021, Management has established an allowance for doubtful pledges of \$144,500 and \$125,000, respectively.

**REVENUE CONCENTRATIONS**

During the years ended December 31, 2022 and 2021, two donors accounted for approximately eighty percent (80%) and four donors accounted for twenty-two percent (22%) of total contributions, respectively.

**NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Association's financial assets as of the statement of position date available for general use within one year of the date of the statement of financial position:

	<u>2022</u>	<u>2021</u>
Financial Assets, at year-end		
Cash and cash equivalents	\$ 7,855,466	\$ 6,248,728
Investments	445,569	420,936
Grants receivable	54,740	162,221
Pledges receivable	<u>9,384,052</u>	<u>5,779,444</u>
	17,739,827	12,611,329
Less: those unavailable for general use due to:		
Long term pledges	(5,368,458)	(3,874,827)
Donor imposed restrictions	<u>(136,000)</u>	<u>(101,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,235,369</u>	<u>\$ 8,635,502</u>

**NATIONAL COAST GUARD MUSEUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (*Continued*)**

As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**NOTE 4 - FAIR VALUE MEASUREMENT AND INVESTMENTS**

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The levels of the fair value hierarchy are described below:

**Level 1**

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

**Level 2**

Inputs to the valuation method include: Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in active markets; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**Level 3**

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

The following is a description of the valuation methodology used for financial instruments measured at fair value:

**Annuity contracts**

Annuity contracts is measured at the full withdrawal value at year end.

There have been no changes in the methodology used at December 31, 2022.

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

**NATIONAL COAST GUARD MUSEUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 4 - FAIR VALUE MEASUREMENT AND INVESTMENTS (Continued)**

The following is a summary of the source of fair value measurements for assets that are measured at fair value on recurring basis as of December 31, 2022 and 2021:

Description	Fair Value	Level 1	Level 2	Level 3
<b>2022</b>				
Investments:				
Annuity contracts	\$ 445,569	\$ -	\$ -	\$ 445,569
<b>2021</b>				
Investments:				
Annuity contracts	\$ 420,936	\$ -	\$ -	\$ 420,936

Changes in the value of Level 3 assets for the year ended December 31, 2022 and 2021 are as follows:

	2022	2021
Fair value, beginning of the year	\$ 420,936	\$ 402,244
Interest income	8,942	8,744
Increase in value of annuity contracts	15,691	9,948
Fair value, end of the year	\$ 445,569	\$ 420,936

**NOTE 5 - PLEDGES RECEIVABLE**

Pledges receivable are recognized at fair value using the present value of estimated future cash flows for pledges that are receivable beyond one fiscal year. Pledges have been discounted using a rate of five and two-tenths of a percent (5.2%).

Pledges receivable are presented at fair value as follows:

	2022	2021
Gross receivable due in less than a year	\$ 4,160,094	\$ 2,029,617
Less: allowance for doubtful pledges	144,500	125,000
Net pledges receivable, current portion	\$ 4,015,594	\$ 1,904,617
Gross receivable due in less than five but more than one year	\$ 6,109,822	\$ 4,018,185
Less: unamortized discount for noncurrent pledges	741,364	143,358
Net pledges receivable, less current portion	\$ 5,368,458	\$ 3,874,827

**NATIONAL COAST GUARD MUSEUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 5 - PLEDGES RECEIVABLE (Continued)**

As of December 31, 2022, the Association has conditional promises to give totaling \$74,000 which shall be recognized upon attainment of specific fundraising and project completion goals.

**NOTE 6 - PROPERTY AND EQUIPMENT**

A summary of property and equipment used for operations is as follows:

	2022	2021
Office Equipment	\$ 36,347	\$ 32,383
Less: accumulated depreciation	23,582	17,441
Total property and equipment, net	\$ 12,765	\$ 14,942

Depreciation expense for the years ended December 31, 2022 and 2021 was \$6,141 and \$5,286, respectively.

**NOTE 7 - CONSTRUCTION IN PROGRESS**

The Association's construction in progress consists of accumulated costs related to three distinct, but related projects: the Coast Guard Museum (the Museum), the Pedestrian Overpass Project (the Pedestrian Bridge), and Union Station. While the Museum is currently being funded by private donations, in 2014 the Association entered into a \$500,000 assistance agreement with the State of Connecticut Department of Economic and Community Development (DECD) for phase one of the project to construct a Pedestrian Bridge to allow for physical access to the Museum. As of December 31, 2022, the Association has received \$500,000 in assistance from the DECD in relation to this project, which includes \$130,000 of payments made directly by the DECD in 2013.

In 2018, the Association entered into a \$19.5 million assistance agreement with the State of Connecticut Department of Economic and Community Development (DECD) for phase two of the project to construct a Pedestrian Bridge that provides public access to the waterfront and the City of New London, including the museum. As of December 31, 2022, the Association has received \$1,960,798 in assistance from the DECD in relation to this project.

Total project cost is expected to be approximately \$150 million, of which the State of Connecticut has committed \$20 million, the federal government is anticipated to commit \$50 million and \$30 million is to be financed. The Association will then be responsible for raising the remaining \$50 million.



**NATIONAL COAST GUARD MUSEUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 7 - CONSTRUCTION IN PROGRESS (Continued)**

As of December 31, 2022 and 2021, construction in progress consisted of the following:

	2022	2021
Coast Guard Museum	\$11,732,794	\$ 6,375,331
Pedestrian Bridge	1,881,880	1,830,835
Site evaluation	31,484	17,203
	\$ 13,646,158	\$ 8,223,369

**NOTE 8 - COMMITMENTS**

**OPERATING LEASE**

Effective May 1, 2018, the Association entered into a two year lease for office space with the option for annual renewals. For each of the years ended December 31, 2022 and 2021 the Association exercised its renewal options. Monthly rents under the renewal options were \$2,491 and \$2,458, respectively.

Effective June 1, 2022, the Association entered into a three year lease for office space. Under the lease terms, the Association pays rent of \$1,000 per month through May 2025, with the option to renew for an additional two years paying rent of \$1,500 per month. Management has deemed the operating lease right of use asset and lease liability, resulting from this arrangement under Accounting Standards Codification (ASC) 842, to be immaterial to the Association's financial statements. As such, no related asset or liability has been recorded by the Association.

Rent expense under these lease agreements for the years ended December 31, 2022 and 2021 was \$36,694 and \$30,696, respectively.

**CONTRACTS**

The Association entered into construction contracts with multiple vendors to engineer and construct a museum and pedestrian bridge. As of December 31, 2022, the commitments under construction contracts totaled \$3,433,139.

The Association entered into contracts with multiple vendors for consulting services related to fundraising. As of December 31, 2022, the commitment under fundraising contracts totaled \$87,200.

The Association entered into a contract on December 1, 2022 with a vendor for consulting services related the development of two educational units to be incorporated into the design of the museum. As of December 31, 2022, the commitment under this contract totaled \$113,500.

**REIMBURSEMENT AGREEMENT**

In October 2017, the Association entered into an agreement with Amtrak to reimburse up to \$221,496 of costs associated with construction of the pedestrian bridge. As of December 31, 2022, \$48,931 of reimbursable costs have been incurred.

**NATIONAL COAST GUARD MUSEUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 9 - NET ASSETS**

**NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at December 31, 2022 and 2021:

	2022	2021
Time restriction:		
Non-current pledges receivable	\$ 5,368,458	\$ 3,874,827
Purpose restrictions:		
Museum construction	-	100,000
Museum programming	136,000	1,000
	136,000	101,000
	\$ 5,504,458	\$ 3,975,827

The amounts released during the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Time restriction:		
Non-current pledges receivable	\$ 1,706,983	\$ 1,306,027
Purpose restrictions:		
Museum construction	100,000	-
	1,806,983	1,306,027
	\$ 1,806,983	\$ 1,306,027

**NOTE 10 - EMPLOYEE RETENTION CREDIT**

The Employee Retention Credit (ERC) under the CARES Act encourages businesses to keep employees on their payroll. For 2021, the ERC provides for a refundable tax credit consisting of 70% of up to \$10,000 in wages (per quarter) by an Eligible Employer whose business has been financially impacted by COVID-19. For 2020, the ERC provided for a refundable tax credit consisting of 50% of up to \$10,000 in wages by an Eligible Employer whose business has been financially impacted by COVID-19.

An employer that falls within business sectors that were restricted in operations due to government mandates is an Eligible Employer that may be entitled to the ERC.

During 2022, management determined that the Association met the eligibility requirements for ERC for the second and third quarters of 2021 and the second and third quarters of 2020. The Association applied for and received ERC of \$247,559 during the year ended December 31, 2022.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of the  
National Coast Guard Museum Association, Inc.  
New London, Connecticut

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the National Coast Guard Museum Association, Inc. (the Association), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 11, 2023.

**Report on Internal Control over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Hoyt, Filippetti & Malaghan, LLC*

Westerly, Rhode Island  
September 11, 2023