PACIFIC FLEET SUBMARINE MEMORIAL ASSOCIATION, INC., *DBA USS BOWFIN SUBMARINE MUSEUM AND PARK*

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the Years Ended December 31, 2023 and 2022

INDEPENDENT AUDITOR'S REPORT

Pacific Fleet Submarine Memorial Association, Inc.,
dba USS Bowfin Submarine Museum and Park:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pacific Fleet Submarine Memorial Association, Inc., *dba USS Bowfin Submarine Museum and Park* (Association), a nonprofit Hawaii corporation, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the *Auditor's 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note A to the financial statements, during the year ended December 31, 2023, the Association adopted Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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Responsibilities of Management for the Financial Statements (continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS 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 U.S. GAAS, 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.

CW Associates, CPAs

CW Associates, CPAs
Honolulu, Hawaii
April 29, 2024

PACIFIC FLEET SUBMARINE MEMORIAL ASSOCIATION, INC.,
DBA USS BOWFIN SUBMARINE MUSEUM AND PARK

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash (including interest-bearing accounts)	$ 926,575	$ 933,629
Accounts receivable – net	691,126	1,254,939
Pledges receivable, current – net	10,050	120,007
Prepaid expenses and other assets	143,318	122,254
Total current assets	1,771,069	2,430,829
INVESTMENTS	11,493,792	6,604,387
PLEDGES RECEIVABLE, Noncurrent – Net	4,765	11,479
PROPERTY AND EQUIPMENT – Net	25,514,634	26,019,290
HISTORICAL COLLECTION (See Note A)	-	-
TOTAL ASSETS	$ 38,784,260	$ 35,065,985
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 95,079	$ 293,887
Accrued liabilities	539,780	441,707
Notes payable – current	438,900	429,100
Total current liabilities	1,073,759	1,164,694
NOTES PAYABLE – Noncurrent	9,531,519	9,970,425
TOTAL LIABILITIES	10,605,278	11,135,119
NET ASSETS		
Net assets without donor restrictions	28,150,123	23,899,069
Net assets with donor restrictions	28,859	31,797
Total net assets	28,178,982	23,930,866
TOTAL LIABILITIES AND NET ASSETS	$ 38,784,260	$ 35,065,985

See accompanying notes to the financial statements.

PACIFIC FLEET SUBMARINE MEMORIAL ASSOCIATION, INC.,
DBA USS BOWFIN SUBMARINE MUSEUM AND PARK

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2023 and 2022

	2023	2022
CHANGES IN NET ASSETS		
WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Admissions	$ 7,377,493	$ 6,608,015
Interest and investment income (loss) – net	1,068,733	(702,859)
Commission income	1,006,562	793,469
Employee Retention Tax Credits	546,562	-
Lease rental income	433,381	364,393
Photobooth income	173,569	153,345
Net assets released from restrictions	164,214	632,558
Grants and contributions without donor restrictions	88,906	56,992
Other revenue	128,651	140,030
Total revenue and support	10,988,071	8,045,943
Expenses		
Program services	5,811,862	4,940,764
Management and general	885,124	811,411
Fundraising and development	40,031	33,396
Total expenses	6,737,017	5,785,571
Increase in net assets without donor restrictions	4,251,054	2,260,372
CHANGES IN NET ASSETS		
WITH DONOR RESTRICTIONS		
Grants and contributions with donor restrictions	161,276	664,355
Net assets released from restrictions	(164,214)	(632,558)
Increase (decrease) in net assets with donor restrictions	(2,938)	31,797
INCREASE IN NET ASSETS	4,248,116	2,292,169
NET ASSETS – Beginning of year	23,930,866	21,638,697
NET ASSETS – End of year	$ 28,178,982	$ 23,930,866

See accompanying notes to the financial statements.

PACIFIC FLEET SUBMARINE MEMORIAL ASSOCIATION, INC.,
DBA USS BOWFIN SUBMARINE MUSEUM AND PARK

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023

	Program Services	Management and General	Fundraising and Development	2023 Total
Salaries and wages	$ 1,471,287	$ 186,120	$ 13,515	$ 1,670,922
Employee benefits	258,056	32,645	2,370	293,071
Payroll taxes	124,364	15,732	1,143	141,239
Total salaries and related expenses	1,853,707	234,497	17,028	2,105,232
Depreciation	976,385	123,514	8,969	1,108,868
Professional fees	714,960	99,933	614	815,507
Lease rent	684,626	81,024	5,884	771,534
Repairs and maintenance	312,386	30,031	2,181	344,598
Insurance	268,982	46,227	2,451	317,660
Interest expense	-	229,916	-	229,916
Supplies	186,092	2,501	182	188,775
Security	161,731	20,459	1,486	183,676
Utilities	132,226	16,727	1,215	150,168
Advertising and marketing	143,177	-	-	143,177
Bank and credit card service charges	135,753	-	-	135,753
Hawaii general excise tax	78,567	-	-	78,567
Contributions to others	69,216	-	-	69,216
Travel and meetings	29,899	-	-	29,899
Other expenses	64,155	295	21	64,471
Total expenses	$ 5,811,862	$ 885,124	$ 40,031	$ 6,737,017

See accompanying notes to the financial statements.

PACIFIC FLEET SUBMARINE MEMORIAL ASSOCIATION, INC.,
DBA USS BOWFIN SUBMARINE MUSEUM AND PARK

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	Program Services	Management and General	Fundraising and Development	2022 Total
Salaries and wages	$ 1,266,276	$ 179,464	$ 13,284	$ 1,459,024
Employee benefits	287,941	3,714	275	291,930
Payroll taxes	94,211	13,352	988	108,551
Total salaries and related expenses	1,648,428	196,530	14,547	1,859,505
Depreciation	862,630	122,256	9,050	993,936
Professional fees	546,083	96,577	-	642,660
Lease rent	595,096	77,885	5,765	678,746
Repairs and maintenance	170,728	5,614	416	176,758
Insurance	260,343	15,883	347	276,573
Interest expense	-	261,353	-	261,353
Supplies	254,287	3,130	232	257,649
Security	76,425	10,832	802	88,059
Utilities	147,070	20,843	1,543	169,456
Advertising and marketing	122,741	-	-	122,741
Bank and credit card service charges	121,312	-	657	121,969
Hawaii general excise tax	64,955	-	-	64,955
Contributions to others	7,600	-	-	7,600
Travel and meetings	13,437	-	-	13,437
Other expenses	49,629	508	37	50,174
Total expenses	$ 4,940,764	$ 811,411	$ 33,396	$ 5,785,571

See accompanying notes to the financial statements.

PACIFIC FLEET SUBMARINE MEMORIAL ASSOCIATION, INC.,
DBA USS BOWFIN SUBMARINE MUSEUM AND PARK

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$4,248,116	$2,292,169
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	1,108,868	993,936
Realized and unrealized (gains) losses on investments	(774,954)	916,117
(Gain) loss on disposal of property and equipment	16,945	(449)
(Increase) decrease in		
Accounts receivable – net	563,813	(579,421)
Pledges receivable – net	116,671	111,825
Prepaid expenses and other assets	(21,064)	10,933
Increase (decrease) in		
Accounts payable	(198,808)	193,475
Accrued liabilities	98,073	103,035
Net cash provided by operating activities	5,157,660	4,041,620
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	490,155	1,623,970
Purchases of investments	(4,604,606)	(1,887,459)
Proceeds from sale of property and equipment	-	1,281
Purchases of property and equipment	(621,157)	(2,342,952)
Net cash used by investing activities	(4,735,608)	(2,605,160)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of notes payable	(429,106)	(1,777,863)
Net cash used by financing activities	(429,106)	(1,777,863)
NET DECREASE IN CASH	(7,054)	(341,403)
CASH – Beginning of year	933,629	1,275,032
CASH – End of year	$ 926,575	$ 933,629
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 229,916	$ 261,353

See accompanying notes to the financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activity

Pacific Fleet Submarine Memorial Association, Inc., *dba USS Bowfin Submarine Museum and Park* (Association), is a nonprofit Hawaii corporation chartered in December 1978 to establish and maintain a World War II submarine, museum, and memorial.

The Association; USS Missouri Memorial Association, Inc. (USS Missouri); and Pearl Harbor Aviation Museum (PHAM) have a ticketing services agreement with Service Systems Associates, Inc. (SSA) to outsource their admissions operations. Ticket prices for each park are independently determined by the Association, USS Missouri, and PHAM. The Association has concessionaire agreements with SSA to outsource its gift shop, food concession, and baggage storage operations in exchange for a percentage commission of all gift shop, food concession, and baggage storage sales.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Association to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions consist of net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association’s management and board of directors.

Net Assets with Donor Restrictions consist of net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity (none in 2023 and 2022).

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, it is reasonably possible that such estimates may change within the near term, and such differences could be material to the financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

Financial instruments that potentially subject the Association to credit risk include cash, accounts receivable, pledges receivable, and investments. At December 31, 2023 and 2022, the Association's cash balances at financial institutions exceeded the related federal deposit insurance by approximately $715,200 and $748,400, respectively. Management evaluates the credit standings of these financial institutions to ensure that such deposits are adequately safeguarded as required by federal regulations. Accounts receivable, which have been adjusted for all known doubtful accounts (none at December 31, 2023 and 2022), and pledges receivable are determined to be collectible or uncollectible based on an assessment by management of the facts and circumstances related to the individual accounts, including historical experience, an assessment of current and future economic conditions, and a review of subsequent collections. Investments are insured by federal and private insurance, as represented by the custodians. Future changes in market prices may make such investments less valuable.

Pledges Receivable

Unconditional promises to give are recognized as contribution revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year. When material, unconditional promises expected to be collected in future years are recorded at the present value of expected future cash flows. The cash flows are discounted using a discount rate commensurate with the risks involved, at the date the promise was made. When considered necessary, an allowance is recorded based on management's estimate of uncollectibility including factors such as prior collection history, type of contribution, and the nature of the fundraising activity.

Investments

Investments are stated at fair value. Net realized and unrealized gains and losses, determined using the specific identification method, are included in interest and investment income (loss). Investments are classified as current or noncurrent based on their intended use.

Property and Equipment

Property and equipment is stated at cost or, if donated, at estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives of three to 39 years for building and improvements, 15 to 39 years for the submarine and improvements, three to 10 years for equipment and fixtures, and five years for vehicles. Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that their related carrying amounts may not be recoverable. Repairs and maintenance are expensed as incurred. Major improvements are capitalized.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Historical Collection

The historical collection consists of documents and artifacts held by the Association for educational, research, and curatorial purposes. The items in the collection, which were acquired through purchases and contributions since the Association's inception, are not recognized in the accompanying financial statements because they have no alternative uses. Purchases of collection items are recorded as decreases in net assets without donor restriction in the period in which the items are acquired or as net assets with donor restriction if they are purchased with donor-restricted funds. Contributed collection items are not reflected in the financial statements. Proceeds, if any, from the disposition of collection items are reflected as increases in the appropriate net asset classes.

Revenue and Expense Recognition

Revenue is recognized when the goods or services are provided to the customer. Revenue from performance obligations satisfied at a point in time consists of admissions and photobooth income. Revenue from performance obligations satisfied over time consists of commission income and lease rental income, which consists of subleasing retail space to a third-party. Revenue from sources other than performance obligations consists of interest and investment income (loss), Employee Retention Tax Credits, and other revenue. See Note J for disaggregation of revenue.

For performance obligations related to admissions and photobooth income, control transfers to the customer at a point in time. The Association transfers control and records revenue when the customer is granted access to the park or when the service is performed. The Association does not have any significant financing components as payment is received at or shortly after park access is granted or the service is performed. For performance obligations related to commission income and lease rental income, control transfers to the concessionaire and lessee, respectively, over time. Revenue is recognized over the course of the concessionaire and lease agreement with the passage of time when control of the promised space is transferred to the concessionaire and lessee. Revenue is measured based on the consideration specified in a contract with the customers, and excludes any sales incentives and amounts collected on behalf of third parties.

Expenses are recognized when the related liability is incurred. The Association allocates its expenses on a functional basis among its various programs and supporting services based on estimates by management. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Other expenses that are common to several functions include lease rent, insurance, repairs and maintenance, utilities, depreciation, and security. These expenses are allocated based on management's estimate of the time and effort of personnel. Advertising and marketing costs, which are expensed as incurred, amounted to $143,177 and $122,741 for the years ended December 31, 2023 and 2022, respectively.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Donor Contributions

The Association's revenue from grants is based on agreements with the State of Hawaii and other entities such as private foundations. The Association recognizes grants as either contributions or exchange transactions depending on whether the transaction is reciprocal or nonreciprocal.

The Association recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, which are those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Support is considered to be available for unrestricted use unless restricted by the donor. Donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction is satisfied or expires, net assets with donor restrictions are released to net assets without donor restrictions.

Donated Goods and Services

In-kind contributions of goods and services that meet the criteria for recognition are recognized as contributions at the estimated fair market value at the date of donation, and are recorded as expenses or assets in the same amount (none in 2023 and 2022). Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills that are performed by people with those skills and would otherwise be purchased by the Association. A number of unpaid volunteers have made contributions of their time to the Association to perform a variety of tasks that assist with mariner and museum docent services, education efforts, and curatorial support. Management estimated that volunteers contributed 1,073 hours during year ended December 31, 2023. The value of their time is not reflected in these financial statements because it does not meet the criteria for recognition.

Employee Retirement Plan

The Association sponsors a defined contribution SIMPLE IRA employee retirement plan covering substantially all of its employees to which it matches a portion of the employee contributions in accordance with the plan and Internal Revenue Code Section 401(k). Employer contributions to the plan amounted to $31,541 and $30,195 for the years ended December 31, 2023 and 2022, respectively.

Hawaii General Excise Tax

The State of Hawaii (State) imposes a general excise tax of 4% on the gross receipts of the Association from commission income, rentals, photobooth income, and certain special events within the State, plus an additional 0.5% on such gross receipts within the City and County of Honolulu. Hawaii general excise tax amounted to $78,567 and $64,955 for the years ended December 31, 2023 and 2022, respectively.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Association is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC). The Association is classified as a public charity under Section 509(a)(2) of the IRC. Accordingly, qualifying contributions to the Association are tax deductible.

U.S. GAAP requires uncertain tax positions to be recognized in the financial statements if they are more likely than not to fail upon regulatory examination. Management has evaluated the tax positions of the Association as of December 31, 2023 and 2022 and for the years then ended and determined that it had no uncertain tax positions required to be reported in accordance with U.S. GAAP. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

Adoption of New Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 changes how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. This ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. This change is a shift from the current incurred loss model to the expected loss model. Expected credit losses are recognized at the time the financial asset is originated and adjusted each period for changes in expected lifetime credit losses. Previously, credit losses were recognized when the loss was incurred.

Under CECL, trade accounts receivable are analyzed in a similar fashion as legacy U.S. GAAP, using an aging methodology to estimate CECL, much like the existing methodology. If the selling entity determines collection is probable, the credit loss risk is not zero. The selling entity would apply Topic 326 to estimate CECL on the trade accounts receivable. CECL is different (and thus is accounted for differently) from losses due to other factors, such as the seller's nonperformance, volume rebates, trade allowances, or customer contract modifications. Under Topic 326, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in this ASU were accounts receivable.

The Association adopted this ASU during the year ended December 31, 2023. The impact of the adoption of this ASU was not material to the financial statements and primarily only resulted in enhanced disclosures, as the financial assets of the Association consists of accounts receivable due in one year or less.

NOTE B – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Association monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the investment returns on its available funds. In addition to financial assets available to meet general expenditures over the next 12 months, the Association anticipates collecting sufficient revenues to cover general operating expenditures.

At December 31, 2023 and 2022, the Association's financial assets and the amounts of those assets that are readily available within one year of the statement of financial position date to meet general expenditures are as follows:

	2023	2022
Cash (including interest-bearing accounts)	$ 926,575	$ 933,629
Accounts receivable – net	691,126	1,254,939
Pledges receivable – net	10,050	120,007
Investments	11,493,792	6,604,387
Total financial assets	13,121,543	8,912,962
Donor-imposed restrictions	(28,859)	(31,797)
Investments in hedge fund	(248,497)	(248,955)
Financial assets available to meet cash needs for general expenditures within one year	$ 12,844,187	$ 8,632,210

NOTE C – PLEDGES RECEIVABLE

At December 31, 2023 and 2022, pledges receivable consisted of the following:

	2023	2022
Pledges receivable in		
Less than one year	$ 12,050	$ 126,007
One to five years	5,000	12,050
Total pledges receivable	17,050	138,057
Discount to present value at 5%	(235)	(571)
Discounted pledges receivable	16,815	137,486
Estimated allowance for uncollectible pledges receivable	(2,000)	(6,000)
Pledges receivable – net	$ 14,815	$ 131,486

NOTE D – INVESTMENTS

At December 31, 2023 and 2022, investments consisted of the following:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	$ 6,703,697	$ 6,938,523	$ 4,862,068	$ 4,561,058
Exchange traded funds	2,787,034	3,125,270	664,087	698,965
Money market funds	1,181,502	1,181,502	1,095,409	1,095,409
Hedge funds	250,000	248,497	250,000	248,955
Total investments	$ 10,922,233	$ 11,493,792	$ 6,871,564	$ 6,604,387

At December 31, 2023, the fair value of the investments exceeded their cost by $571,559. At December 31, 2022, the cost of the investments exceeded their fair value by $267,177.

Interest and investment income (loss) consisted of the following for the years ended December 31, 2023 and 2022:

	2023	2022
Interest and dividends	$ 325,785	$ 231,427
Realized losses from sales of investments	(63,782)	(49,492)
Unrealized gains (losses) from holding investments	838,736	(866,625)
Investment fees	(32,006)	(18,169)
Interest and investment income (loss) – net	$ 1,068,733	$ (702,859)

NOTE E – FAIR VALUE MEASUREMENTS

U.S. GAAP provides a hierarchy that prioritizes the inputs to valuation methodologies used to measure fair value. There are three levels of the fair value hierarchy. Level 1 inputs to the valuation methodologies consist of unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs are unobservable and significant to the fair value measurement. The fair value measurement level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation methodologies used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE E – FAIR VALUE MEASUREMENTS (Continued)

The fair value measurements reportable by the Association (see Note D) consist of investments in mutual funds and exchange traded funds valued at quoted market prices for which Level 1 valuation inputs were required; and money market funds valued at stated value for which Level 1 valuation inputs were required. At December 31, 2023 and 2022, there were no investments for which Level 2 and Level 3 valuation inputs were required. Hedge funds are valued at net asset value (NAV) as a practical expedient at the close of business on the valuation date, based on the value of the underlying investments in commercial real estate debt. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

The following sets forth by level, within the fair value hierarchy, the Association's investments at fair value as December 31, 2023:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Bond funds	$ 3,856,702	$ -	$ -	$ 3,856,702
U.S. equity growth	1,219,923	-	-	1,219,923
U.S. equity value	520,472	-	-	520,472
Money market	434,807	-	-	434,807
International equity value	380,608	-	-	380,608
U.S. equity blend	264,501	-	-	264,501
Alternative income	261,510	-	-	261,510
Total mutual funds	6,938,523	-	-	6,938,523
Exchange traded funds				
U.S. equity growth	1,101,142	-	-	1,101,142
International equity	966,814	-	-	966,814
U.S. equity value	658,036	-	-	658,036
Bond funds	399,278	-	-	399,278
Total exchange traded funds	3,125,270	-	-	3,125,270
Money market funds	1,181,502	-	-	1,181,502
	$ 11,245,295	$ -	$ -	11,245,295
Hedge funds				248,497
Total investments at fair value				$ 11,493,792

NOTE E – FAIR VALUE MEASUREMENTS (Continued)

The following sets forth by level, within the fair value hierarchy, the Association's investments at fair value as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Bond funds	$ 1,800,188	$ -	$ -	$ 1,800,188
U.S. equity growth	728,906	-	-	728,906
U.S. equity value	382,078	-	-	382,078
Money market	845,086	-	-	845,086
International equity value	212,423	-	-	212,423
U.S. equity blend	149,578	-	-	149,578
Alternative income	232,187	-	-	232,187
International equity growth	210,612	-	-	210,612
Total mutual funds	4,561,058	-	-	4,561,058
Exchange traded funds				
U.S. equity growth	240,377	-	-	240,377
International equity	122,447	-	-	122,447
U.S. equity value	161,811	-	-	161,811
Bond funds	174,330	-	-	174,330
Total exchange traded funds	698,965	-	-	698,965
Money market funds	1,095,409	-	-	1,095,409
	$ 6,355,432	$ -	$ -	6,355,432
Hedge funds				248,955
Total investments at fair value				$ 6,604,387

NOTE F – PROPERTY AND EQUIPMENT

At December 31, 2023 and 2022, property and equipment consisted of the following:

	2023	2022
Building and improvements	$ 28,614,862	$ 28,090,680
Submarine and improvements	2,441,054	2,433,887
Equipment and fixtures	163,898	136,368
Vehicles	14,000	14,000
Construction in progress	64,885	26,876
Total	31,298,699	30,701,811
Accumulated depreciation	(5,784,065)	(4,682,521)
Property and equipment – net	$ 25,514,634	$ 26,019,290

The Association had dry dock maintenance and restoration performed on its submarine, which was completed in October 2022 at a cost of approximately $2.4 million.

NOTE G – NOTES PAYABLE

At December 31, 2023 and 2022, notes payable consisted of the following:

	2023	2022
Note payable to the U.S. Department of Agriculture (USDA) in monthly installments of $34,930, including interest at 2.25%. Matures July 2042. Collateralized by substantially all of the assets of the Association.	$ 6,344,812	$ 6,617,880
Note payable to the USDA in monthly installments of $19,960, including interest at 2.25%. Matures July 2042. Collateralized by substantially all of the assets of the Association.	3,625,607	3,781,645
Total	9,970,419	10,399,525
Notes payable – current	(438,900)	(429,100)
Notes payable – noncurrent	$ 9,531,519	$ 9,970,425

NOTE G – NOTES PAYABLE (Continued)

At December 31, 2023, scheduled maturities of the notes payable is as follows:

Years Ending December 31st	
2024	$ 438,900
2025	448,800
2026	459,000
2027	469,500
2028	480,100
Thereafter (cumulative)	7,674,119
Total note payable	$9,970,419

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2023 and 2022, net assets with donor restrictions consisted of the following:

	2023	2022
Net assets with donor restrictions for		
Scholarships	$22,814	$31,797
Maui Strong Fund	6,045	-
Total net assets with donor restrictions	$28,859	$31,797

NOTE I – EMPLOYEE RETENTION TAX CREDITS

Under the provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Association was eligible for refundable employee retention tax credits subject to certain criteria. During the year ended December 31, 2023, the Association recognized $546,562 in employee retention tax credits.

NOTE J – DISAGGREGATION OF REVENUE

For the years ended December 31, 2023 and 2022, revenue from performance obligations satisfied at a point in time, revenue from performance obligations satisfied over time, and revenue from sources other than performance obligations consisted of the following:

	2023	2022
Revenue from performance obligations satisfied at a point in time		
Admissions	$ 7,377,493	$ 6,608,015
Photobooth income	173,569	153,345
Total revenue from performance obligations satisfied at a point in time	$ 7,551,062	$ 6,761,360
Revenue from performance obligations satisfied over time		
Commission income	$ 1,006,562	$ 793,469
Lease rental income	433,381	364,393
Total revenue from performance obligations satisfied over time	$ 1,439,943	$ 1,157,862
Revenue from sources other than performance obligations		
Interest and investment income (loss) – net	1,068,733	(702,859)
Employee Retention Tax Credits	546,562	-
Other revenue	128,651	140,030
Total revenue from sources other than performance obligations	$ 1,743,946	$ (562,829)

NOTE K – LEASES

Lessee

The Association leases the land underlying its facilities from the federal government under an operating lease agreement expiring in December 2042. Annual lease rent due to the federal government is 6% of annual admission revenue and 18% of all other operating revenue, as defined in the lease agreement, and is considered a variable lease payment. The Association is required to make monthly estimated payments of $30,000 per month, which is applied towards its annual lease obligation. The Association also leases equipment under an operating lease agreement expiring in May 2025. The present value of future lease payments for the equipment operating lease is not material to the financial statements; therefore, the related right of use asset and operating lease liability are not recognized in the financial statements. Lease rent expense for the years ended December 31, 2023 and 2022 amounted to $771,534 and $678,746, respectively.

NOTE K – LEASES (Continued)

Lessee (continued)

At December 31, 2023, future operating lease rent payments for the facilities lease and future minimum lease payments for the equipment lease approximated the following:

Year Ending December 31st	
2024	$ 402,100
2025	$ 377,600
2026	$ 360,000
2027	$ 360,000
2028	$ 360,000
Thereafter	$ 5,040,000

Lessor

The Association leases its gift shop, food concession, and baggage storage to SSA for a monthly commission based on a variable percentage of gross receipts, as defined, through December 2025. Commission income for the years ended December 31, 2023 and 2022 amounted to $1,006,562 and $793,469, respectively.

The Association leases a portion of its facilities to a retailer for the greater of $3,000 per month or 12% of gross sales, as defined, under an operating lease agreement that expires in July 2024. Lease rental income, including Hawaii general excise tax, for the years ended December 31, 2023 and 2022 amounted to $433,381 and $364,393, respectively. At December 31, 2023, future minimum lease receipts by years ending December 31st approximated $21,900 in 2024.

NOTE L – CONTINGENCIES

As part of the joint ticketing agreement with SSA, SSA made capital improvements and equipment purchases for admission operations, which are depreciated on a straight-line basis over five years from the in-service date. In the event the joint ticketing agreement is terminated, the Association, USS Missouri, and PHAM will owe SSA the net book value of the capital improvements and equipment purchases. At December 31, 2023, the Association's one-third share of the net book value of the capital improvements and equipment purchases was approximately $11,000.

As part of the gift shop concessionaire agreement with SSA, SSA made capital improvements and equipment purchases for gift shop operations, which are depreciated on a straight-line basis over 10 years from the in-service date. In the event the concessionaire agreement is terminated, the Association will owe SSA the net book value of the capital improvements and equipment purchases. At December 31, 2023, the net book value of the capital improvements and equipment purchases was approximately $152,700.

NOTE L – CONTINGENCIES (Continued)

As part of the food concession and baggage storage concessionaire agreement with SSA, SSA made capital improvements and equipment purchases for food concession and baggage storage operations, which are depreciated on a straight-line basis over 10 years from the in-service date. In the event the concessionaire agreement is terminated, the Association will owe SSA the net book value of the capital improvements and equipment purchases. At December 31, 2023, the net book value of the capital improvements and equipment purchases was approximately $78,000.

The Association may be subject to legal proceedings, claims, or litigation arising in the ordinary course of business for which it may seek the advice of legal counsel. Management estimates that the cost to resolve such matters, if any, would not be material to the financial statements. However, it is reasonably possible that such estimates may change within the near term.

The Association operates in the State of Hawaii. Local, national, and international events can have severe, adverse effects on economic conditions in Hawaii. These financial statements do not include the adjustments that would result if the Association were to account for future losses or asset impairments, as the effects on the financial statements of the Association from such changes are not presently determinable.

NOTE M – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 29, 2024, which is the date the financial statements were available to be issued, and determined that the Association did not have any subsequent events requiring adjustment to the financial statements or disclosure in the notes to the financial statements.