

HISTORIC BETHLEHEM MUSEUMS AND SITES

**Financial Statements and
Independent Auditor's Report**

For the Year Ended February 29, 2024

HISTORIC BETHLEHEM MUSEUMS AND SITES
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Historic Bethlehem Museums and Sites

Opinion

We have audited the accompanying financial statements of Historic Bethlehem Museums and Sites (a not-for-profit corporation), which comprise the statements of financial position as of February 29, 2024, and the related statements of activities, functional expenses, and cash flows for the year 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 Historic Bethlehem Museums and Sites as of February 29, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Historic Bethlehem Museums and Sites 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Historic Bethlehem Museums and Sites' ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted 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, 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 Historic Bethlehem Museums and Sites' 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 Historic Bethlehem Museums and Sites' 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 Matters

Report on Summarized Comparative Information

We have previously audited the Historic Bethlehem Museums and Sites' 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 8, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cory Bell, Rappold & Yucasita LLP

January 15, 2025

HISTORIC BETHLEHEM MUSEUMS AND SITES
STATEMENT OF FINANCIAL POSITION
February 29, 2024

	February 29, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>ASSETS:</u>			
Cash - Operating	\$ 316,420	\$ -	\$ 316,420
Cash - Restricted	-	1,233,837	1,233,837
Interfund (Payable) Receivable	(6,000)	6,000	-
Accounts/Grants Receivable	51,336	-	51,336
Grant Receivable - ERC	78,100	-	78,100
Promises to Give (Note 3)	-	196,871	196,871
Prepaid Expenses	18,636	-	18,636
Inventory	46,839	-	46,839
Long-Term Investments (Note 4)	460,440	3,722,550	4,182,990
Beneficial Interest in Perpetual Trust (Note 6)	-	313,810	313,810
Property and Equipment, (Net of Accumulated Depreciation) (Note 7)	7,218,255	-	7,218,255
TOTAL ASSETS	\$ 8,184,026	\$ 5,473,068	\$ 13,657,094
<u>LIABILITIES AND NET ASSETS:</u>			
Liabilities			
Accounts Payable	\$ 212,867	\$ -	\$ 212,867
Accrued Wages and Compensated Absences	49,968	-	49,968
Deferred Revenue	55,069	-	55,069
Security Deposits	2,630	-	2,630
Mortgages and Loans Payable (Note 8)	150,000	-	150,000
Other Liabilities	4,495	-	4,495
TOTAL LIABILITIES	475,029	-	475,029
Commitments and Contingencies			
Net Assets			
Undesignated	(18,274)	-	(18,274)
Board Designated	509,016	-	509,016
Net Investment in Property and Equipment	7,218,255	-	7,218,255
Total Net Assets Without Donor Restrictions	7,708,997	-	7,708,997
Restricted for a Purpose (Note 9)	-	2,487,483	2,487,483
Restricted in Perpetuity (Note 9)	-	2,985,585	2,985,585
Total Net Assets	7,708,997	5,473,068	13,182,065
TOTAL LIABILITIES AND NET ASSETS	\$ 8,184,026	\$ 5,473,068	\$ 13,657,094

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

HISTORIC BETHLEHEM MUSEUMS AND SITES
STATEMENT OF FINANCIAL POSITION
February 28, 2023

	February 28, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>ASSETS:</u>			
Cash - Operating	\$ 422,702	\$ -	\$ 422,702
Cash - Restricted	-	1,485,008	1,485,008
Interfund (Payable) Receivable	332,342	(332,342)	-
Accounts/Grants Receivable	9,888	-	9,888
Grant Receivable - ERC	-	-	-
Promises to Give (Note 3)	-	207,641	207,641
Prepaid Expenses	28,002	-	28,002
Inventory	88,478	-	88,478
Long-Term Investments (Note 4)	435,948	3,491,109	3,927,057
Beneficial Interest in Perpetual Trust (Note 6)	-	301,288	301,288
Property and Equipment, (Net of Accumulated Depreciation) (Note 7)	7,185,693	-	7,185,693
TOTAL ASSETS	\$ 8,503,053	\$ 5,152,704	\$ 13,655,757
<u>LIABILITIES AND NET ASSETS:</u>			
Liabilities			
Accounts Payable	\$ 163,231	\$ -	\$ 163,231
Accrued Wages and Compensated Absences	20,074	-	20,074
Deferred Revenue	41,684	-	41,684
Security Deposits	6,500	-	6,500
Mortgages and Loans Payable (Note 8)	150,000	-	150,000
Other Liabilities	20,940	-	20,940
TOTAL LIABILITIES	402,429	-	402,429
Commitments and Contingencies			
Net Assets			
Undesignated	432,435	-	432,435
Board Designated	482,496	-	482,496
Net Investment in Property and Equipment	7,185,693	-	7,185,693
Total Net Assets Without Donor Restrictions	8,100,624	-	8,100,624
Restricted for a Purpose (Note 9)	-	2,206,941	2,206,941
Restricted in Perpetuity (Note 9)	-	2,945,763	2,945,763
Total Net Assets	8,100,624	5,152,704	13,253,328
TOTAL LIABILITIES AND NET ASSETS	\$ 8,503,053	\$ 5,152,704	\$ 13,655,757

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

HISTORIC BETHLEHEM MUSEUMS AND SITES
STATEMENTS OF ACTIVITIES
Years Ended February 29, 2024 and February 28, 2023

	Year Ended 02/29/2024	Year Ended 02/28/2023
NET ASSETS WITHOUT DONOR RESTRICTIONS		
OPERATING ACTIVITIES		
Revenue:		
Contributions	\$ 272,389	\$ 277,659
Contributions of Nonfinancial Assets (Note 12)	259,925	104,331
Grants	78,656	215,002
Government Grants - ERC	78,100	-
Tourism	175,925	191,015
Admission/Programs	120,639	74,033
Rental Income	196,761	188,950
Special Events	563,543	483,429
Less: Direct Costs of Special Events	(322,028)	(243,638)
Sales to Public	271,878	268,405
Less: Costs of Store Purchases	(192,321)	(153,641)
Miscellaneous	-	28,119
Release of Spending Policy Investment Return (Note 10)	184,091	330,332
Release of Restricted Funds for Operating Expenses (Note 10)	424,397	269,376
Total Operating Revenue	<u>2,111,955</u>	<u>2,033,372</u>
Expenses:		
Program Expenses	1,636,379	1,615,074
Management and General Expenses	453,906	258,500
Fundraising Expenses	223,481	281,536
Total Operating Expenses	<u>2,313,766</u>	<u>2,155,110</u>
OPERATIONAL DEFICIT	<u>(201,811)</u>	<u>(121,738)</u>
NONOPERATING ACTIVITIES		
Inter-fund Transfer	(294,502)	-
Depreciation	(312,874)	(282,982)
Investment Return (Net of Expenses of \$2,184 and \$2,293)	45,760	(39,164)
Release of Restricted Funds for Assets/Debt (Note 10)	371,800	520,249
Change in Nonoperating Activities	<u>(189,816)</u>	<u>198,103</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ (391,627)</u>	<u>\$ 76,365</u>

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

HISTORIC BETHLEHEM MUSEUMS AND SITES
STATEMENTS OF ACTIVITIES
Years Ended February 29, 2024 and February 28, 2023

	Year Ended 02/29/2024	Year Ended 02/28/2023
NET ASSETS WITH PURPOSE RESTRICTIONS		
ACTIVITIES		
Contributions/Grants	\$ 499,462	\$ 555,299
Inter-fund Transfer	294,502	-
Investment Return (Net of Expenses of \$17,698 and \$19,225)	466,866	(327,364)
Net Assets Released to Without Donor Restriction (Note 10)	<u>(980,288)</u>	<u>(1,119,957)</u>
CHANGES IN NET ASSETS WITH PURPOSE		
RESTRICTIONS	<u>280,542</u>	<u>(892,022)</u>
NET ASSETS WITH PERPETUITY RESTRICTIONS		
ACTIVITIES		
Contributions	27,300	50,886
Change in Value of Outside Perpetual Trusts	<u>12,522</u>	<u>(43,477)</u>
CHANGES IN NET ASSETS WITH PERPETUITY		
RESTRICTIONS	<u>39,822</u>	<u>7,409</u>
CHANGES IN NET ASSETS	<u>(71,263)</u>	<u>(808,248)</u>
NET ASSETS, AT BEGINNING OF PERIOD	<u>13,253,328</u>	<u>14,061,576</u>
NET ASSETS, AT END OF PERIOD	<u><u>\$ 13,182,065</u></u>	<u><u>\$ 13,253,328</u></u>

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

HISTORIC BETHLEHEM MUSEUMS AND SITES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended February 29, 2024
With Comparative Totals for the Year Ended February 28, 2023

	Year Ended February 29, 2024				02/28/2023
	Program Services	Management and General	Fundraising	Total	Total
Salaries and Wages	\$ 503,630	\$ 323,027	\$ 146,754	\$ 973,411	\$ 837,981
Employee Benefits	72,915	46,767	21,247	140,929	114,821
Payroll Taxes	39,124	25,094	11,400	75,618	77,801
Tourism	59,082	-	-	59,082	73,721
Education/Publicity/Advertising	19,577	-	-	19,577	45,904
Collections	2,890	-	-	2,890	654
Occupancy	251,319	-	-	251,319	154,200
Printing	7,771	-	-	7,771	7,201
Interest	7,261	-	-	7,261	1,282
Miscellaneous	42,364	-	-	42,364	22,866
Postage	1,340	2,680	1,339	5,359	6,514
Professional Fees	99,630	33,210	33,210	166,050	153,090
Building Repairs and Maintenance	193,926	-	-	193,926	366,629
Supplies	12,700	-	-	12,700	22,418
Telephone	9,868	2,820	1,410	14,098	12,329
Fundraising Expense	-	-	-	-	15,000
Conferences and Training	120	-	-	120	-
Dues and Subscriptions	6,203	-	-	6,203	6,569
Public Relations/Volunteers	211,574	-	-	211,574	140,301
Insurance	51,417	14,262	7,022	72,701	46,803
Equipment Rental and Maintenance	3,847	6,046	1,099	10,992	5,788
Travel	1,701	-	-	1,701	8,865
Bank and Credit Card Fees	38,120	-	-	38,120	34,373
Direct Costs of Special Events	-	-	322,028	322,028	244,408
Cost of Store Purchases	192,321	-	-	192,321	153,641
Depreciation Expense	312,874	-	-	312,874	282,982
Total Expenses by Function	2,141,574	453,906	545,509	3,140,989	2,836,141
Less: Expenses Included With Revenues on the Statement of Activities:					
Direct Costs of Special Events	-	-	(322,028)	(322,028)	(244,408)
Costs of Store Purchases	(192,321)	-	-	(192,321)	(153,641)
Depreciation Expense	(312,874)	-	-	(312,874)	(282,982)
	\$ 1,636,379	\$ 453,906	\$ 223,481	\$ 2,313,766	\$ 2,155,110

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

HISTORIC BETHLEHEM MUSEUMS AND SITES
STATEMENTS OF CASH FLOWS
Years Ended February 29, 2024 and February 28, 2023

	Year Ended 02/29/2024	Year Ended 02/28/2023
<u>Cash Flows from Operating Activities:</u>		
Change in Net Assets	\$ (71,263)	\$ (808,248)
Adjustment to Reconcile Changes in Net Assets to Net Cash Used by Operating Activities:		
Restricted Contributions/Investment Income	(623,629)	(703,722)
Depreciation and Amortization	312,874	282,982
Realized/Unrealized (Gain)/Loss on Investments	(407,662)	478,528
Transfers from Restricted to Operating	608,488	599,708
Change in Value of Outside Trusts	(12,522)	43,477
Changes in Operating Assets/Liabilities:		
Receivables	(119,548)	2,125
Inventory	41,639	(19,571)
Prepaid Expenses	9,366	(6,275)
Accounts Payable	49,636	43,070
Deferred Revenue/Security Deposits/Accrued Wages and Compensated Absences	22,964	23,820
NET CASH USED BY OPERATING ACTIVITIES	(189,657)	(64,106)
<u>Cash Flows from Investing Activities:</u>		
Equipment Acquisitions/Building Improvements	(345,436)	(503,643)
Proceeds from Sale of Investments	283,993	463,762
Purchase of Investments	(132,264)	(175,007)
NET CASH USED BY INVESTING ACTIVITIES	(193,707)	(214,888)
<u>Cash Flows from Financing Activities:</u>		
Restricted Contributions/Investment Income	623,629	703,722
Unpaid Promises to Give	10,770	92,031
Transfers to Operating from Restricted Funds	(608,488)	(599,708)
NET CASH PROVIDED BY FINANCING ACTIVITIES	25,911	196,045
DECREASE IN CASH AND CASH EQUIVALENTS	(357,453)	(82,949)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,907,710	1,990,659
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,550,257	\$ 1,907,710
<u>Reconciliation of Cash and Cash Equivalents:</u>		
Cash and Cash Equivalents	\$ 316,420	\$ 422,702
Restricted Cash	1,233,837	1,485,008
Total Cash and Cash Equivalents	\$ 1,550,257	\$ 1,907,710
<u>Supplemental Information:</u>		
Interest Paid	\$ 473	\$ 1,282

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

HISTORIC BETHLEHEM MUSEUMS AND SITES
NOTES TO FINANCIAL STATEMENTS
February 29, 2024 and February 28, 2023

1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization/Affiliates

Historic Bethlehem Museums and Sites (the "Organization") is a Pennsylvania not-for-profit corporation and is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is the operating corporation for museums and historical sites at Burnside Plantation, Kemerer Museum of Decorative Arts, Moravian Museum of Bethlehem, and various properties within the historic district in Bethlehem, PA. The Organization is responsible for managing cultural resources by providing staff and offering program services for the benefit of the public. Primary sources of revenue include contributions, program fees, and special events.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or certain grantor restrictions. Net assets without donor restrictions may be designated for specific purposes by the action of the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

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

HISTORIC BETHLEHEM MUSEUMS AND SITES
NOTES TO FINANCIAL STATEMENTS
February 29, 2024 and February 28, 2023

1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The accounting standard for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or liabilities recorded for the fiscal years 2024 and 2023.

The Organization files its Form 990 with the United States Internal Revenue Service and with the Bureau of Charitable Organizations in Pennsylvania. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2020.

Operating Revenue

The Statements of Activities reflect revenues and expenses on an operating and non-operating format. Non-operating activities include contributions designated by the Board of Directors for future purposes, depreciation expense, investment income, changes in the value of investments which are invested for long-term purposes, and releases of net assets with donor restriction for the purchase of assets and payment on debt.

Accounting for Contributions

Contributions received are recorded as revenue with donor restrictions or revenue without donor restrictions depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor, including pledges, is reported as an increase in net assets with donor restriction, depending on the nature of the restriction. When a donor 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 Statements of Activities as net assets released from restrictions. The Organization reports gifts of goods and equipment as support without 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 restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when donated or acquired long-lived assets are placed in service.

HISTORIC BETHLEHEM MUSEUMS AND SITES
NOTES TO FINANCIAL STATEMENTS
February 29, 2024 and February 28, 2023

1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of restrictions on net assets which are temporary in nature by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets. The Organization's revenue from contracts with customers in the scope of ASC 606 is recognized within Tourism, Admission/Programs, Special Events, and Sales to Public. The Organization's revenue streams are accounted for in the following segments:

- **Tourism:** The Organization earns income from providing guided educational tours of the Organization locations as well as the historic district within the City of Bethlehem, PA. The Organization's policy is to recognize revenue when each specific educational tour takes place.
- **Admission/Programs:** The Organization earns income from providing admission into their historical locations as well as from specific educational programs held at the historical locations. The Organization's policy is to recognize revenue upon admission into the historical locations as well as when each specific educational program takes place.
- **Special Events:** The Organization holds various fundraising events each year to raise operating funds. Many of the events require attendees to purchase a ticket for admission. Each ticket contains the characteristics of a contribution and an exchange transaction. The Organization recognizes the contribution when the ticket is purchased; revenue is recognized from the exchange transaction when the event takes place.
- **Sales to Public:** The Organization earns income from the sale of goods held for sale at various sites and museum gift shops. The Organization's policy is to recognize the revenue from the sale of goods at the time each sales transaction takes place.

Cash and Cash Equivalents

All cash in bank accounts is considered to be cash equivalents on the Statements of Cash Flows. Any cash included in its investment portfolios is not considered cash on the Statements of Cash Flows, as it represents funds available for investment purposes.

Accounts/Grants Receivable

Accounts receivable primarily consists of various grants due to the Organization for programs and services performed. The Organization does not require collateral or other security. Management provides an allowance for uncollectible accounts which is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The allowance for uncollectible accounts was \$-0- at February 29, 2024 and February 28, 2023.

HISTORIC BETHLEHEM MUSEUMS AND SITES
NOTES TO FINANCIAL STATEMENTS
February 29, 2024 and February 28, 2023

1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Pledges Receivable

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Inventory

Inventory consists of finished goods available for resale to the public, which are recorded at the lower of cost or net realizable value on the first in, first out (FIFO) method.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair market value. Investment return (including gains and losses on investments, interest and dividends) is included in the Statements of Activities as net assets without donor restriction unless restricted by the donor.

Property and Equipment/Collections

Equipment acquisitions and property improvements, including improvements to historical buildings, in excess of \$500 are capitalized and depreciated over their estimated useful lives on the straight-line basis. Expenditures for repairs and maintenance are expensed in the period incurred.

Land, land improvements, and certain historic buildings which meet the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 "Not-for-Profit-Entities" are not depreciated.

Historical and museum objects donated to the Organization are not reflected on the financial statements. Any collections acquired by purchase are expensed in the year purchased. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for collections or for the preservation and direct care of existing collection items. There were no deaccessions during the years ended February 29, 2024 and February 28, 2023.

Functional Allocation of Expenses

The costs of allocating certain program and supporting services have been summarized on a functional basis on the Statement of Functional Expenses. The Statement of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries have been allocated by time. Depreciation, utilities, insurance, telephone, and repairs and maintenance have been allocated based on estimated percentages of building use. All other expenses have been allocated based upon direct use.

HISTORIC BETHLEHEM MUSEUMS AND SITES
NOTES TO FINANCIAL STATEMENTS
February 29, 2024 and February 28, 2023

1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain 2023 amounts have been reclassified in order to conform to the 2024 financial statement presentation. The reclassifications have no effect on the changes in net assets as previously reported.

Employee Retention Credit

The CARES Act extended the Employee Retention Credit ("ERC") through September 30, 2021. The ERC is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages paid by an employer after March 12, 2020, and before January 1, 2021. For purposes of the ERC, qualified wages were capped at \$10,000 per employee, per year. For 2021, the ERC amount was increased to 70% of qualified wages paid to an employee, with qualified wages capped at \$10,000 per employee, per quarter.

The Organization determined it is eligible for the ERC for the period April 1, 2020 through December 31, 2020 based on having a 50% or more decline in gross receipts compared to the same quarters in 2019. The Company amended quarterly payroll tax returns to apply for refunds in the amount of \$78,100. The Company recorded revenue in the amount of \$78,100 included in *Government Grants – ERC* in the Statements of Activities for the year ended February 29, 2024. The entire balance was still receivable at February 29, 2024 included in *Grants Receivable – ERC* on the Statements of Financial Position in the amount of \$78,100.

Adoption of New Accounting Standard

On March 1, 2023, the Organization adopted Accounting Standards Update 2016-13 *Financial Instruments – Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments*, as amended, which modified the measurement of expected credit losses on certain financial instruments. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the Organization's financial statements but did change how the allowance for credit losses is determined. Under the new standard, management is required to consider specific situations related to the receivable balance, current and future expected economic conditions, past experience of losses, as well as an assessment of potential recoverability for expected credit losses in determining an allowance for uncollectible accounts.

Subsequent Events

Management has evaluated subsequent events through January 15, 2025, the date on which the financial statements were available to be issued, and has determined that there were no material subsequent events that require recognition or disclosure.

HISTORIC BETHLEHEM MUSEUMS AND SITES
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2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the Statement of Financial Position, consist of the following:

	<u>02/29/2024</u>	<u>02/28/2023</u>
Cash and Cash Equivalents	\$ 316,420	\$ 422,702
Accounts/Grants Receivable	51,336	9,888
Long-Term Investments	460,440	435,948
Net Assets With Designations	<u>(509,016)</u>	<u>(482,496)</u>
 Total	 <u>\$ 319,180</u>	 <u>\$ 386,042</u>

The Organization is supported mainly by contributions, grants, and special events revenue. The Organization believes that contributions, grants, and special events revenue along with the assets held at February 29, 2024, is sufficient to enable the Organization to continue to operate for the upcoming year. Additionally, by approval by the Board of Directors, net assets with designations could be made available if necessary. The Organization also has a line of credit with up to \$100,000 of availability to provide working capital, if needed.

3. Promises to Give

Contributions receivable, net of allowance for uncollectible pledges, are summarized as follows:

	<u>02/29/2024</u>	<u>02/28/2023</u>
Unconditional Promises Expected to be Collected in:		
Less than one year	\$ 152,350	\$ 155,346
One to five years	<u>61,000</u>	<u>69,400</u>
	213,350	224,746
Less: Unamortized Discount (2%)	(5,811)	(5,868)
Less: Allowance for Uncollectible Pledges	<u>(10,668)</u>	<u>(11,237)</u>
	<u>\$ 196,871</u>	<u>\$ 207,641</u>

HISTORIC BETHLEHEM MUSEUMS AND SITES
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4. Long-Term Investments

	Market Value 02/29/2024	Market Value 02/28/2023
Cash	\$ 171,962	\$ 175,430
Equities	2,717,997	2,590,494
Fixed Income	<u>1,293,031</u>	<u>1,161,133</u>
Total	<u>\$ 4,182,990</u>	<u>\$ 3,927,057</u>

A summary of earnings on investments for the years ended February 29, 2024 and February 28, 2023 are as follows:

	Year Ended 02/29/2024	Year Ended 02/28/2023
Realized/Unrealized Gains (Loss)	\$ 407,662	\$ (478,528)
Dividends and Interest	124,846	133,518
Investment Fees	<u>(19,882)</u>	<u>(21,518)</u>
Total	<u>\$ 512,626</u>	<u>\$ (366,528)</u>

5. Fair Value Measurements

Financial Accounting Standards Board ASC 820-10, Fair Value Measurements, establishes 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 three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organizations have the ability to access.
- Level 2 Inputs to the valuation methodology 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;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

HISTORIC BETHLEHEM MUSEUMS AND SITES
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5. Fair Value Measurements (Continued)

Level 2 (Continued)

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 to the valuation methodology are unobservable, are significant to the fair value measurement and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

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. Investments classified within Level 3 whose fair value measurements consider several inputs may include Level 1 and/or Level 2 inputs as components of the overall fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at February 29, 2024 and February 28, 2023.

Corporate Bonds and U.S. Government Bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at the net asset value ("NAV") of shares held by the Organization at year end.

Beneficial Interest in Perpetual Trusts: Measured based on quoted market prices of the underlying securities and other relevant information generated by market transactions, divided by the Organizations' share based on its pro-rata share of distributable income of the Trusts.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes their 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. The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of February 29, 2024:

Assets at Fair Value as of February 29, 2024				
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 171,962	\$ -	\$ -	\$ 171,962
Mutual Funds	2,717,997	-	-	2,717,997
Fixed Income Bond Funds	1,293,031	-	-	1,293,031
Beneficial Interest In Perpetual Trusts	-	-	313,810	313,810
Total Assets at Fair Value	<u>\$ 4,182,990</u>	<u>\$ -</u>	<u>\$ 313,810</u>	<u>\$ 4,496,800</u>

HISTORIC BETHLEHEM MUSEUMS AND SITES
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5. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of February 28, 2023

	Assets at Fair Value as of February 28, 2023			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 175,430	\$ -	\$ -	\$ 175,430
Mutual Funds	2,590,494	-	-	2,590,494
Fixed Income Bond Funds	1,161,133	-	-	1,161,133
Beneficial Interest In Perpetual Trusts	-	-	301,288	301,288
Total Assets at Fair Value	<u>\$ 3,927,057</u>	<u>\$ -</u>	<u>\$ 301,288</u>	<u>\$ 4,228,345</u>

Change in Fair Value of Level 3 Assets:

Certain changes in fair value of the Organization's Level 3 assets are required to be disclosed. During the years ended February 29, 2024 and February 28, 2023, there were no purchases, transfers-in, or transfers-out of Level 3 assets. The Organization received issuances in the amount of \$14,589 and \$13,572 during the years ended February 29, 2024 and February 28, 2023, respectively.

6. Beneficial Interest in Perpetual Trusts

Moravian Museum and Burnside Plantation received contributions whereby the donors restricted the assets in perpetuity, which are invested and administered by trustees. Distributions are received annually and reported as contributions. The funds are invested in debt and equity securities, and the Organization records their interest in these trusts at fair value based on estimated future cash flows, which approximates the present market value. Annual adjustments to trust values are recorded as changes in value of beneficial trusts by the respective entities. The Organization can borrow the principal of the Burnside Plantation Fund upon approval of three-fourths of the Board of Directors.

7. Property and Equipment

	Life in Years	02/29/2024	02/28/2023
Land, Buildings, and Improvements	10 - 75	\$ 12,427,291	\$ 12,356,967
Equipment	3 - 10	934,610	891,429
Construction in Progress		231,931	-
Accumulated Depreciation		<u>(6,375,577)</u>	<u>(6,062,703)</u>
Net		<u>\$ 7,218,255</u>	<u>\$ 7,185,693</u>

Depreciation charged to expense was \$312,874 and \$282,982 for the years ended February 29, 2024 and February 28, 2023, respectively.

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8. Mortgages and Loans Payable

	<u>02/29/2024</u>	<u>02/28/2023</u>
SBA Loan at 2.75%, payable in monthly installments of \$612 including principal and interest, due June 2050, secured by property.	<u>\$ 150,000</u>	<u>\$ 150,000</u>

Long term debt maturities are as follows:

Year Ended February,	
2025	\$ 3,260
2026	3,351
2027	3,444
2028	3,540
2029	3,638
Thereafter	<u>132,767</u>
	<u>\$ 150,000</u>

Interest expense related to the mortgages and loans totaled \$7,261 and \$1,282 for the years ended February 29, 2024 and February 28, 2023, respectively.

The Organization also had three lines of credit with \$100,000 of availability each which expired on January 31, 2024. At that time, the Organization entered into a new line of credit agreement with a bank which has \$100,000 of availability and bears interest at the prime rate (8.50% at February 29, 2024) and is secured by all assets of the Organization.

HISTORIC BETHLEHEM MUSEUMS AND SITES
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9. Analysis of Net Assets With Donor Restrictions

Net assets with donor restrictions as of February 29, 2024 and February 28, 2023 were as follows:

Purpose	02/29/2024	02/28/2023
Program Operations	\$ 51,341	\$ 4,042
Education Programs	14,906	2,787
Taking the World Stage	1,228,052	1,464,691
Visual Impairment	7,287	7,287
Library	-	301
RACP	51,482	2,888
Schwarz Heritage	31,005	76,000
Signage	1,433	1,433
Hottle	45,200	-
Burnside Funds	-	194,776
Historic Bethlehem, Inc. Funds	-	48,312
KMDA Purchase and Building Funds	426,104	77,100
MMB Preservation and Single Sister's House Funds	391,079	235,327
Income from Permanent Endowments	239,594	91,997
Permanent Endowments	2,671,775	2,644,475
Outside Perpetual Trusts	313,810	301,288
	<u>\$ 5,473,068</u>	<u>\$ 5,152,704</u>

10. Analysis of Restricted Net Assets

Net assets released from restrictions during the years ended February 29, 2024 and February 28, 2023 were as follows:

Purpose	02/29/2024	02/28/2023
Spending Policy for Program Operations	\$ 184,091	\$ 330,332
Program Operations	424,397	269,376
Property	371,800	520,249
	<u>\$ 980,288</u>	<u>\$ 1,119,957</u>

11. Endowment

The endowment funds of the Organization consist of funds designated by donors for various purposes as well as funds designated by the Board of Directors for endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

HISTORIC BETHLEHEM MUSEUMS AND SITES
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11. Endowment (Continued)

Interpretation of Relevant Law

The Organization has interpreted the laws of the Commonwealth of Pennsylvania 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 Organization classify as net assets with donor restrictions in perpetuity the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions for a purpose until those amounts are appropriated for expenditure by the Organization in a manner consistent with the laws of the Commonwealth of Pennsylvania. In accordance with the laws of the Commonwealth of Pennsylvania, the Organization consider the following factors on making a determination or appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the Organization and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investment
- f. Other resources of the Organization
- g. The investment policies of the Organization

Investment Return Objectives, Risk Parameters, and Strategies

The Organization has adopted an endowment fund and investment policy, set forth by the Investment Committee, for endowments and donor-restricted funds that are not intended to be used for the daily operation of the Organization. The endowment assets attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. A spending policy is determined annually by the Investment Committee. The funds are managed in a manner consistent with the purpose of the donors. Endowment assets are invested in a well-diversified asset mix, among suitable asset classes, that will generate, on average, the level of expected return necessary to meet endowment objectives at the lowest volatility consistent with achieving that return.

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11. Endowment (Continued)

As of February 29, 2024 and February 28, 2023, total endowment composition by net asset fund was:

	February 29, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment	\$ 454,215	\$ -	\$ 454,215
Donor Restricted Endowment	-	3,225,179	3,225,179
	<u>\$ 454,215</u>	<u>\$ 3,225,179</u>	<u>\$ 3,679,394</u>
	February 28, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment	\$ 430,294	\$ -	\$ 430,294
Donor Restricted Endowment	-	3,023,489	3,023,489
	<u>\$ 430,294</u>	<u>\$ 3,023,489</u>	<u>\$ 3,453,783</u>

Changes in endowment net assets as of February 29, 2024 are as follows:

	Year Ended February 29, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 430,294	\$ 3,023,489	\$ 3,453,783
Contributions	-	27,300	27,300
Investment Income (Net of Fees)	12,064	72,107	84,171
Transfers	-	-	-
Net Appreciation	36,744	286,374	323,118
Net Appropriated for Expenditure	(24,887)	(184,091)	(208,978)
Endowment Net Assets, End of Year	<u>\$ 454,215</u>	<u>\$ 3,225,179</u>	<u>\$ 3,679,394</u>

HISTORIC BETHLEHEM MUSEUMS AND SITES
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11. Endowment (Continued)

Changes in endowment net assets as of February 28, 2023 are as follows:

	Year Ended February 28, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 514,958	\$ 3,616,686	\$ 4,131,644
Contributions	-	50,886	50,886
Investment Income (Net of Fees)	14,226	68,438	82,664
Transfers	-	-	-
Net Depreciation	(52,537)	(382,189)	(434,726)
Net Appropriated for Expenditure	(46,353)	(330,332)	(376,685)
Endowment Net Assets, End of Year	<u>\$ 430,294</u>	<u>\$ 3,023,489</u>	<u>\$ 3,453,783</u>

Underwater Endowment

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donors or state law requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported as net assets with donor restrictions for a specific purpose. At February 29, 2024, funds with deficiencies were comprised of original gift values of \$1,362,927, fair values of \$1,309,853, and deficiencies of \$53,074. At February 28, 2023, funds with deficiencies were comprised of original gift values of \$1,460,753, fair values of \$1,344,054, and deficiencies of \$116,699. These deficiencies resulted from unfavorable market fluctuations that occurred after the original investment of the donor-restricted gifts.

12. Contributions of Nonfinancial Assets

A substantial number of volunteers have donated significant amounts of time to the Organization in various capacities. Certain services have been recognized, inasmuch as such services require specialized skills and would typically be purchased had they not been provided by donation. Contributions of nonfinancial assets were as follows:

Contributed Nonfinancial Asset	Year Ended 02/29/2024	Year Ended 02/28/2023	Program Services Benefited	Donor Restriction	Valuation Techniques and Inputs
Electrical Repair Services	\$ 7,785	\$ 4,617	Building Repairs and Maintenance	None	Fair value is estimated based upon current rates of similar:
Advertising	600	-	Education/Publicity/Advertising	None	Services
Miscellaneous	1,148	-	Miscellaneous	None	Services
Printing of Programs	270	9,843	Printing	None	Supplies
Professional Fees	640	-	Professional Fees	None	Services
Print Advertisements	62,449	8,882	Public Relations/Volunteers	None	Services
Rent	98,233	51,115	Occupancy	None	Space
Special Event Auction Items	84,400	29,874	Direct Costs of Special Events	None	Items
Inventory Items	3,400	-	Cost of Store Purchases	None	Items
Program Supplies	1,000	-	Supplies	None	Supplies
Total	<u>\$ 259,925</u>	<u>\$ 104,331</u>			

HISTORIC BETHLEHEM MUSEUMS AND SITES
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13. Leases

The Organization leases a vehicle under an operating lease agreement.

Minimum lease payments under this lease is as follows:

Year Ending February,

2025	\$	4,985
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The Organization has a lease with Lehigh County for one dollar per year plus all operating costs for the Burnside Plantation property. The lease expires in May 2024 with renewals for additional periods totaling 20 years. Additionally, the Organization has a 100-year lease for various historic properties within the historic district of the City of Bethlehem expiring June 30, 2066 with a renewal option for an additional 100 years and all operating costs are borne by the lessee. Lastly, the Organization has one lease for various historic properties with the Bethlehem Area Moravians, Inc., expiring in January 2025. All operating costs are borne by the lessee. No contribution of nonfinancial assets has been recorded based on the operating and property improvement costs borne by the Organization.

Rental expense related to the operating leases was \$4,985 during each of the years ended February 29, 2024 and February 28, 2023.

14. Pension Benefits

The Organization has a defined contribution retirement plan for all eligible employees. Employer contributions were 5% of eligible employee annual salaries for the years ended February 29, 2024 and February 28, 2023, respectively. Pension expense was \$39,554 and \$31,215 for the years ended February 29, 2024 and February 28, 2023, respectively.

15. Concentrations of Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist of cash exceeding FDIC insured limits, marketable securities and promises to give. The Organization places its cash and investments with high quality financial institutions. Marketable securities, consisting of both debt and equity instruments, are generally placed in accounts administered by investment managers. Though the market value of the investments is subject to fluctuations, the Organization believes that the investment policy is prudent for the long-term welfare of the Organization.

A significant amount of the Organization's revenue and support was provided by contributions from the general public. It is always considered possible that benefactors, grantors, or contributors may be lost in the near term.

HISTORIC BETHLEHEM MUSEUMS AND SITES
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16. Summarized Totals for Year Ended February 28, 2023

The financial statements include certain prior-year summarized comparative information in total but not by net asset or functional class. Such information does not include sufficient details to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended February 28, 2023, from which summarized information was derived.