USS Missouri Memorial Association, Inc.

Financial Statements
December 31, 2018 and 2017
Together with Independent Auditor’s Report

KMHLLP

A Hawaii Limited Liability Partnership

Independent Auditor's Report

To the Board of Directors of
USS Missouri Memorial Association, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of USS Missouri Memorial Association, Inc. (the Association), which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2018 and 2017, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

KMH LLP

KMH LLP

Honolulu, Hawaii
May 10, 2019

USS Missouri Memorial Association, Inc.

Statements of Financial Position
December 31, 2018 and 2017

Assets

	2018	2017
Cash and Cash Equivalents	$ 844,451	$ 565,905
Cash, with donor restrictions	13,167	32,334
Accounts Receivable, net of allowance for doubtful accounts of $5,000 in 2018 and 2017	1,697,779	1,704,379
Prepaid Expenses and Other Assets	409,469	421,732
Total current assets	2,964,866	2,724,350
Board Designated or Restricted for Long-Term Purposes:		
Cash, restricted for the purchase of equipment and shipboard improvements	41,350	39,850
Cash and investments, board designated for ship preservation	14,409,449	15,208,130
Total assets board designated or restricted for long-term purposes	14,450,799	15,247,980
Equipment and Shipboard Improvements, net	22,808,326	22,524,226
Total assets	$ 40,223,991	$ 40,496,556

Liabilities and Net Assets

	2018	2017
Liabilities:		
Accounts Payable	$ 1,025,783	$ 1,878,205
Accrued Expenses	912,698	783,598
Total current liabilities	1,938,481	2,661,803
Commitments and Contingencies		
Net Assets:		
Without donor restrictions:		
Undesignated	1,013,218	30,213
Cash and investments, board designated for ship preservation	14,409,449	15,208,130
Invested in equipment and shipboard improvements	22,808,326	22,524,226
Total without donor restrictions	38,230,993	37,762,569
With donor restrictions	54,517	72,184
Total net assets	38,285,510	37,834,753
Total liabilities and net assets	$ 40,223,991	$ 40,496,556

See accompanying notes to financial statements.

USS Missouri Memorial Association, Inc.

Statements of Activities
For the Years Ended December 31, 2018 and 2017

	2018	2017
Changes in Net Assets Without Donor Restrictions:		
Revenues:		
Ticket sales	$ 12,606,977	$ 12,060,908
Commissions	1,619,106	1,381,279
Special events and other	688,686	741,789
Education	235,212	250,704
Contributions	224,007	115,430
Total revenues without donor restrictions	15,373,988	14,550,110
Net assets released from restrictions	35,667	66,358
Total revenues without donor restrictions and other support	15,409,655	14,616,468
Expenses:		
Program services	12,483,003	11,767,727
Management and general	1,375,036	1,066,228
Fundraising	191,499	80,230
Total expenses	14,049,538	12,914,185
Revenues without donor restrictions and other support less expenses	1,360,117	1,702,283
Net investment (loss) return	(891,693)	1,519,006
Increase in net assets without donor restrictions	468,424	3,221,289
Changes in Net Assets with Donor Restrictions:		
Contributions	18,000	15,380
Net assets released from restrictions	(35,667)	(66,358)
Decrease in net assets with donor restrictions	(17,667)	(50,978)
Increase in net assets	450,757	3,170,311
Net Assets, beginning of year	37,834,753	34,664,442
Net Assets, end of year	$ 38,285,510	$ 37,834,753

See accompanying notes to financial statements.

USS Missouri Memorial Association, Inc.

Statements of Functional Expenses
For the Years Ended December 31, 2018 and 2017

	Program Services	Management and General	Fundraising	Total
2018:				
Payroll and related costs	$ 6,249,347	$ 1,049,963	$ -	$ 7,299,310
Depreciation	1,901,898	-	-	1,901,898
Ship operations	856,844	-	-	856,844
Ground transportation	716,361	-	-	716,361
Rent	807,248	24,933	-	832,181
Marketing	592,281	-	-	592,281
Utilities	350,392	14,148	-	364,540
Insurance	275,003	18,376	-	293,379
Ticketing and reservations	352,328	-	-	352,328
Safety, health and environmental	122,457	-	-	122,457
Professional fees	131,628	68,458	-	200,086
Special events	87,411	-	-	87,411
Donation expenses	-	-	191,499	191,499
Other	39,805	199,158	-	238,963
	$ 12,483,003	$ 1,375,036	$ 191,499	$ 14,049,538
2017:				
Payroll and related costs	$ 5,628,072	$ 773,555	$ -	$ 6,401,627
Depreciation	1,621,719	-	-	1,621,719
Ship operations	1,001,720	-	-	1,001,720
Ground transportation	755,956	-	-	755,956
Rent	752,083	19,626	-	771,709
Marketing	562,339	-	-	562,339
Utilities	378,060	14,837	-	392,897
Insurance	340,784	16,839	-	357,623
Ticketing and reservations	333,952	-	-	333,952
Safety, health and environmental	173,005	-	-	173,005
Professional fees	118,828	61,729	-	180,557
Special events	60,905	-	-	60,905
Donation expenses	-	-	80,230	80,230
Other	40,304	179,642	-	219,946
	$ 11,767,727	$ 1,066,228	$ 80,230	$ 12,914,185

See accompanying notes to financial statements.

USS Missouri Memorial Association, Inc.

Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities:		
Increase in net assets	$ 450,757	$ 3,170,311
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,901,898	1,621,719
Net realized and unrealized loss (gain) on investments	1,134,863	(1,057,465)
Write-off of capital assets	25,659	-
Gain on sale of equipment	-	(1,800)
Changes in certain assets and liabilities:		
Accounts receivable, net	6,600	87,778
Prepaid expenses and other assets	12,263	14,428
Accounts payable	(852,422)	311,658
Accrued expenses	129,100	(26,305)
Net cash provided by operating activities	2,808,718	4,120,324
Cash Flows from Investing Activities:		
Capital expenditures	(2,211,657)	(4,478,355)
Purchases of investments board designated for ship preservation	(16,876,874)	(3,004,848)
Sales of investments board designated for ship preservation	16,540,692	2,176,585
Proceeds from sale of equipment	-	1,800
Net cash used in investing activities	(2,547,839)	(5,304,818)
Cash Flows from Financing Activity --		
Net Increase in Cash Restricted for the Purchase of Equipment and Shipboard Improvements	(1,500)	(250)
Net increase (decrease) in cash and cash equivalents	259,379	(1,184,744)
Cash and Cash Equivalents, beginning of year	598,239	1,782,983
Cash and Cash Equivalents, end of year	$ 857,618	$ 598,239
Reconciliation of Cash and Cash Equivalents:		
Cash and cash equivalents	$ 844,451	$ 565,905
Cash, with donor restrictions	13,167	32,334
Total cash and cash equivalents	$ 857,618	$ 598,239
Supplemental Disclosure of Non-Cash Activity --		
Capital Expenditures included in Accounts Payable	$ -	$ 738,574

See accompanying notes to financial statements.

1. Organization and Significant Accounting Policies

a. Organization

The USS Missouri Memorial Association, Inc. (the Association) is a not-for-profit organization incorporated in 1994 to establish, operate and maintain a national memorial commemorating the end of hostilities in World War II consisting of the USS Missouri (the Battleship). The Association began significant operating activities and opened the Battleship to visitors on January 29, 1999.

b. Basis of Presentation

The Association maintains its accounting records and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (US GAAP). In accordance with US GAAP, the Association reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: 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 the board of directors.

Net assets with donor restrictions: 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 by the passage of time.

Donor restricted contributions are reported as increase in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

c. Management Estimates

The preparation of financial statements in conformity with US GAAP 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 periods. Actual results could differ from those estimates.

1. Organization and Significant Accounting Policies (continued)

d. Cash and Cash Equivalents

The Association maintains its cash and cash equivalents in commercial banks. At December 31, 2018, the Association had approximately $2,556,000 in excess of federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents. Cash and cash equivalents and certificates of deposit included in investments have been designated by the Board of Directors (the Board), and are not considered cash equivalents for purposes of the statements of financial position and cash flows.

e. Investments

The Association's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (see Note 5 for discussion of fair value measurements).

f. Accounts Receivable

Accounts receivable are primarily generated by wholesale tour and travel companies operating in Hawaii and are stated at the amounts billed, net of an allowance for doubtful accounts. The Association establishes an allowance for doubtful accounts based on historical experience and any specific customer collection issues identified by management. The Association performs ongoing credit evaluations of these wholesalers' financial condition and may require collateral from the wholesalers, if deemed necessary.

g. Cash Restricted for the Purchase of Equipment and Shipboard Improvements

Cash restricted for the purchase of equipment and shipboard improvements has been restricted by donors and is not available for operating activities.

1. Organization and Significant Accounting Policies (continued)

h. Equipment and Shipboard Improvements

Equipment and shipboard improvements are presented at cost if purchased, or estimated fair value if contributed, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the Association's assets as follows:

Shipboard improvements	7 – 25 years
Equipment and fixtures	5 – 7 years

The carrying values of equipment and shipboard improvements are reviewed when circumstances indicate that the carrying amounts may not be recoverable. If the expected future cash flows generated from equipment and shipboard improvements are less than the related carrying value, the carrying value of these assets would be reduced to estimated fair value.

i. Revenue Recognition

The Association recognizes revenues from ticket sales at the time of admission. Commissions from concessionaires, special events and other revenues are recognized when they are realized or realizable and earned.

j. Contributions and Promises to Give

Contributions are recognized when received or when the donor makes an unconditional promise to give to the Association. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction is fulfilled or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

The Association has unpaid volunteers who assist in performing administrative and maintenance duties and conducting tours. The value of this contributed time does not meet the criteria for financial statement recognition provided by US GAAP and, accordingly, is not reflected in the accompanying financial statements.

1. Organization and Significant Accounting Policies (continued)

k. In-Kind Contributions

In-kind contributions, including depreciable assets, are reflected as contributions without donor restrictions at their estimated fair values when received by the Association. The Battleship and certain other exhibits were donated by the U.S. Navy and others. The fair values of these contributed exhibits have not been recognized in the accompanying financial statements as their values are not readily determinable. Costs related to placing these exhibits into service are recognized when incurred as a decrease in net assets without donor restrictions.

l. Board Designated Net Assets

Board designated net assets consist of amounts expended on ship equipment and improvements and amounts that have been designated by the Board for ship preservation purposes and other long-term strategic initiatives. The Board can re-designate these net assets at its discretion.

m. Income Taxes

The Association is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), whereby only unrelated business income, as defined by Section 512(a)(1) is subject to federal income tax. The Association is also exempt under Hawaii Revised Statutes on income related to its exempt purpose. No unrelated business income taxes were incurred during 2018 or 2017.

Management has evaluated the Association’s tax positions and concluded that the Association has maintained its tax exempt status and has no uncertain tax positions that require recognition or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Interest and penalties, if any, are recognized in management and general expense.

The Tax Cuts and Jobs Act (TCJA) was enacted on December 22, 2017. The TCJA includes significant changes to the US individual and corporate income tax system, including changes to the computation of unrelated business taxable income (UBTI) of tax-exempt organizations and the inclusion of UBTI for an exempt organization’s nondeductible entertainment and fringe benefit costs. The TCJA did not have a significant impact on the Association’s operations.

1. Organization and Significant Accounting Policies (continued)

n. Recently Adopted Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Among the changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. The ASU also requires the presentation or disclosure of expenses by nature and function. The Association has adopted this ASU and has adjusted the presentation of these statements accordingly.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 is effective for the Association beginning on January 1, 2019 and must be applied using a retrospective transition method with early adoption permitted. The Association has early adopted this ASU, which did not have a significant impact to its financial statements.

o. Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU is effective for annual periods beginning after December 15, 2018, and shall be applied retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Association is currently evaluating the effect of adopting the new standard on its financial statements.

1. Organization and Significant Accounting Policies (continued)

o. Recently Issued Accounting Pronouncement (continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Subtopic 842)*. ASU 2016-02 replaced the existing lease guidance with new guidance applicable to both lessees and lessors and requires lessees to recognize right-of-use assets and lease liabilities for all leases other than those that meet the definition of short-term leases at the commencement date of the lease. A right-of-use asset is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. A lease liability is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis. The standard also requires additional quantitative and qualitative disclosures regarding the amount, timing and uncertainty of cash flows arising from leases.

In July 2018, the FASB also issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides for an optional transitional method that allows companies to continue applying the guidance under the current lease standard in the comparative periods presented in the financial statements. The Association may adopt the guidance either: (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative effect adjustment. These ASUs will be effective for the Association for the year ending December 31, 2020. Management is currently assessing the effect of implementation of the new guidance.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarify and improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. The ASU clarifies current guidance about whether a transfer of asset, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. ASU 2018-08 will be effective for the Association beginning on January 1, 2019. The Association is currently evaluating the impact the adoption of this guidance will have on its financial statements.

1. Organization and Significant Accounting Policies (continued)

p. Reclassifications

Certain reclassifications were made to prior year's financial statements to conform to the 2018 presentation. Such reclassifications had no impact on the previously reported changed in net assets.

q. Subsequent Events

The Association has evaluated subsequent events through May 10, 2019, the date on which the financial statements were issued, and it was determined that all subsequent events had been properly accounted for.

2. Board Designated Cash and Investments

Cash and investments board designated for ship preservation are carried at fair value at December 31, 2018 and 2017, and consist primarily of investments in mutual funds as follows:

	2018	2017
Mutual Funds:		
Cost	$ 13,011,480	$ 11,083,224
Gross unrealized gains	-	1,165,943
Gross unrealized losses	(859,565)	(50,182)
Mutual Funds, at fair value	12,151,915	12,198,985
Cash and Certificate of Deposit	2,000,000	2,806,235
Money Market Funds, at fair value	246,829	193,293
Accrued Interest	10,705	9,617
Total cash and investments, board designated for ship preservation	$ 14,409,449	$ 15,208,130

2. Board Designated Cash and Investments (continued)

Net investment returns for 2018 and 2017 consisted of the following:

	2018	2017
Net realized/unrealized (loss) gain	$ (1,134,863)	$ 1,057,465
Dividend and interest income	303,139	515,932
Investment fees	(59,969)	(54,391)
	$ (891,693)	$ 1,519,006

3. Equipment and Shipboard Improvements

Equipment and shipboard improvements at December 31, 2018 and 2017 were as follows:

	2018	2017
Shipboard improvements	$ 26,985,352	$ 22,718,312
Equipment and fixtures	8,165,264	7,762,824
	35,150,616	30,481,136
Accumulated depreciation	(14,202,766)	(12,300,868)
	20,947,850	18,180,268
Construction in progress	1,860,476	4,343,958
Equipment and Shipboard Improvements, net	$ 22,808,326	$ 22,524,226

4. Line of Credit

In August 2018, the Association entered into a credit agreement with a bank amounting to $5 million. Draws on the credit agreement are secured by certain cash, cash equivalents and investments held by the Association, require monthly interest-only payments, and bear interest at the Association’s choice of the prevailing market rate, as defined, or selected London Inter-Bank Offered Rate (LIBOR) plus applicable margins, as defined, with an expiration date of August 21, 2021. There were no borrowings outstanding at December 31, 2018.

4. Line of Credit (continued)

The credit agreement contains customary conditions and events of default, the failure to comply with, or occurrence of, would give the lender the right to demand repayment of any outstanding borrowings or terminate the credit agreement.

5. Fair Value Measurements

US GAAP establishes 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). Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access. The Association maintains all its investments in mutual funds, which are valued at Level 1 and are stated at fair value using quoted market prices. Shares of mutual funds are valued at the net asset value of shares held by the Association at the reporting date on a recurring basis.

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

USS Missouri Memorial Association, Inc.

Notes to Financial Statements
December 31, 2018 and 2017

5. Fair Value Measurements (continued)

The following table sets forth the Association's investments by type of fund based on Level 1 inputs as of December 31:

	2018	2017
Mutual Funds:		
Intermediate Term Bond	$ 4,174,614	$ 4,091,605
Large Value	1,679,902	1,335,827
Large Growth	1,341,905	632,280
Foreign Large Blend	1,103,894	1,688,819
Mid-Cap Value	763,985	494,007
Mid-Cap Growth	652,311	450,083
Small Value	617,065	-
Small Growth	518,030	-
Diversified Emerging Mkts	486,236	99,861
High Yield Bond	321,090	-
Pacific/Asia Ex-Japan Stk	258,846	98,883
Foreign Small/Mid Value	234,037	277,319
Large Blend	-	3,030,301
Total mutual funds at fair value	12,151,915	12,198,985
Cash and Certificates of Deposit	2,000,000	2,806,235
Money Market Funds	246,829	193,293
Accrued Interest	10,705	9,617
Total cash and investments, board designated for ship preservation	$ 14,409,449	$ 15,208,130

6. Net Assets

a. Without Donor Restriction

Net assets without donor restrictions include undesignated net assets as well as those designated for specific purposes by the Association's Board of Directors. The Board of Directors has designated approximately $14.4 million and $15.2 million as of December 31, 2018 and 2017, respectively, in the Ship Preservation Fund, for the purpose of funding future preservation and major restoration projects for the Battleship.

The Association is accumulating funds for the purpose of conducing a dry docking of the ship in or near the year 2030. The last time the ship was dry docked was in 2010 for a cost of $12.5 million. It is estimated that the next dry docking will cost between $25 and $30 million. This work is required every 20 to 25 years for permanently moored ships in order to paint and repair the hull of the ship below the waterline.

b. With Donor Restrictions

Net assets with donor restrictions at December 31, 2018 and 2017 consisted of the following:

	2018	2017
Cash restricted for the following:		
Educational purposes	$ 13,167	$ 32,334
Shipboard improvements and displays	41,350	39,850
Net assets with donor restrictions	$ 54,517	$ 72,184

Net assets with donor restrictions released from restrictions during the years ended December 31, 2018 and 2017 consisted of the following:

	2018	2017
Restrictions satisfied by expenditures for:		
Educational purposes	$ 35,667	$ 65,678
Shipboard improvements and displays	-	680
Net assets with donor restrictions released from restrictions	$ 35,667	$ 66,358

7. Employee Benefit Plan

Substantially all full-time employees of the Association are eligible to participate in the Association's 401(k) retirement savings plan upon completion of one year of service. The plan provides for discretionary employee and employer contributions up to defined limits. For the years ended December 31, 2018 and 2017, the Association made employer contributions of approximately $141,000 and $69,000, respectively. Effective January 1, 2018, full time employees are allowed to participate in the Association's 401(k) retirement saving plan upon completion of six months of service. The Plan was amended to allow employees to contribute up to $18,000 (or $24,000, if the employee is over the age of 50), and allow discretionary employer matching up to 4 percent.

8. Commitments and Contingencies

a. Operating Agreements

The Association has an agreement with a company to provide ground transportation for visitors to the Battleship through 2019. Ground transportation fees, based upon fixed hourly rates, were approximately $716,000 in 2018 and $756,000 in 2017 and are included in Program Services in the accompanying Statements of Activities.

b. Litigation

In the normal course of conducting its activities, the Association may be subject to various claims and litigation. Management believes that the resolution of these matters will not have a material adverse effect on the Association's financial position, results of operations or cash flows.

c. Operating Leases

The Association acts as lessor in leasing space to merchandise, food and beverage and photo concessionaires under the terms of certain operating leases. The leases provide for minimum or percentage rents based on visitor counts or gross revenues, as defined in the agreements, ending at various dates through December 31, 2019. Percentage rents from these leases are reported as commission income on the accompanying Statements of Activities for the years ended December 31, 2018 and 2017 and amounted to approximately $1,619,000 and $1,381,000, respectively.

8. Commitments and Contingencies (continued)

c. Operating Leases (continued)

In March 2017, the Association signed a new 25-year lease with the U.S. Navy which is effective January 1, 2017 through December 31, 2041. The new lease requires estimated monthly payments of rent totaling $35,000, which are trued up on an annual basis to equal an annual rent of six percent of the Association's ticket sales revenue as defined in the lease. Total rent expense recognized for the years ended December 31, 2018 and 2017 was approximately $771,000 and $724,000, respectively.

The Association also receives credit towards the rent payments due for in-kind services provided by the Association to the U.S. Government. These credits totaled approximately $296,000 and $246,000 and are reported as special events revenue for the years ended December 31, 2018 and 2017, respectively.

d. Construction Commitments

In 2019, the Association entered into a construction contract for approximately $3 million for the restoration and preservation of the aft superstructure on the Battleship.

USS Missouri Memorial Association, Inc.

Notes to Financial Statements
December 31, 2018 and 2017

9. Liquidity and Availability

The following reflects the Association's financial assets as of December 31, 2018, reduced by amounts not available for general use within one year because of board designations or donor-imposed restrictions.

	2018	2017
Financial assets:		
Cash and cash equivalents	$ 844,451	$ 565,905
Cash, with donor restrictions	13,167	32,334
Cash, restricted for the purchase of equipment and shipboard improvements	41,350	39,850
Accounts receivable	1,697,779	1,704,379
Cash and investments	14,409,449	15,208,130
Financial assets, at year end	17,006,196	17,550,598
Less those unavailable for general expenditure within one year, due to:		
Board designated for ship preservation	(14,409,449)	(15,208,130)
Donor restricted	(54,517)	(72,184)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,542,230	$ 2,270,284

The Association structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Association's board designated assets are designated for the purchase of equipment and shipboard improvements and for ship preservation. These assets are limited in use, which are more fully described in Note 2 and are not available for general expenditure within the next year. However, the board designated amounts of $14,409,449 and $15,208,130 as of December 31, 2018 and 2017, respectively, could be made available, if necessary.

As part of the Association's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds.

Additionally, the Association maintains a $5 million line of credit, as discussed in more detail in Note 4. As of December 31, 2018, $5 million remained available on the Association's line of credit.