

**THE AIR FORCE MUSEUM FOUNDATION, INC.**  
**(A Nonprofit Foundation)**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2023 AND 2022**

**THE AIR FORCE MUSEUM FOUNDATION, INC.**

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**YEARS ENDED DECEMBER 31, 2023 AND 2022**

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## INDEPENDENT AUDITORS' REPORT

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To the Audit Committee  
**The Air Force Museum Foundation, Inc.**

### Opinion

We have audited the accompanying financial statements of **The Air Force Museum Foundation, Inc.** (a nonprofit Foundation), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **The Air Force Museum Foundation, Inc.** 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **The Air Force Museum Foundation, Inc.** 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.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 **The Air Force Museum Foundation, Inc.'s** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## INDEPENDENT AUDITORS' REPORT - CONTINUED

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 **The Air Force Museum Foundation, Inc.'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 Air Force Museum Foundation, Inc.'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.



Dayton, Ohio  
May 6, 2024

THE AIR FORCE MUSEUM FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,657,057	\$ 2,535,262
Employee Retention Credit receivable	-	248,685
Investments - at fair value	3,597,393	2,188,159
Interest and dividends receivable	65,783	55,513
Merchandise inventories	202,077	217,978
Pledges receivable	155,126	167,626
Prepaid expenses and other assets	<u>334,661</u>	<u>243,895</u>
Total current assets	<u>7,012,097</u>	<u>5,657,118</u>
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	229,352	229,352
Furniture and equipment	<u>1,874,905</u>	<u>2,123,516</u>
	2,104,257	2,352,868
Less accumulated depreciation	<u>1,647,053</u>	<u>1,893,891</u>
Total property and equipment	<u>457,204</u>	<u>458,977</u>
<b>OTHER ASSETS</b>		
Investments - at fair value	22,578,167	19,542,167
Pledges receivable - net of current portion	<u>66,683</u>	<u>79,703</u>
Total other assets	<u>22,644,850</u>	<u>19,621,870</u>
	<u>\$ 30,114,151</u>	<u>\$ 25,737,965</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 313,387	\$ 192,642
Accrued payroll and taxes, PTO and 401(k) contributions	360,309	270,413
Deferred revenue	<u>49,949</u>	<u>33,049</u>
Total current liabilities	<u>723,645</u>	<u>496,104</u>
<b>NET ASSETS</b>		
Without donor restrictions	27,889,989	23,954,430
With donor restrictions	<u>1,500,517</u>	<u>1,287,431</u>
Total net assets	<u>29,390,506</u>	<u>25,241,861</u>
	<u>\$ 30,114,151</u>	<u>\$ 25,737,965</u>

THE AIR FORCE MUSEUM FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2023

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE</b>			
Merchandise sales	\$ 4,170,473	\$ -	\$ 4,170,473
Building and education fund donations	802,299	289,680	1,091,979
Contributions of nonfinancial assets and services	2,365	-	2,365
Other gifts and grants	2,224,681	114,289	2,338,970
Attractions ticket sales	1,488,703	-	1,488,703
Net investment return	465,387	-	465,387
Memorial park fund	8,512	15,138	23,650
Cafe net sales	1,031,106	-	1,031,106
Mail order fees, concessions, and other	73,392	-	73,392
Realized gain on investments, net	1,286,054	-	1,286,054
Gain on disposal of property and equipment	5,112	-	5,112
	<u>11,558,084</u>	<u>419,107</u>	<u>11,977,191</u>
Total revenue			
<b>EXPENSES</b>			
Salaries and wages	3,246,479	-	3,246,479
Cost of merchandise sold	2,098,355	-	2,098,355
Service contracts	342,002	-	342,002
Museum program support	1,102,083	-	1,102,083
Attractions operations	446,097	-	446,097
Depreciation and amortization	108,554	-	108,554
Payroll taxes	255,411	-	255,411
Professional services	83,338	-	83,338
Bank and card processing fees	264,063	-	264,063
Special events	59,507	-	59,507
Printing costs	207,719	-	207,719
Shipping and postage	95,596	-	95,596
Marketing and advertising	85,360	-	85,360
Cafe in-house expenses	1,828	-	1,828
Medical and life insurance benefits	184,712	-	184,712
401(k) contributions	134,266	-	134,266
Supplies	52,698	-	52,698
Insurance	38,185	-	38,185
Other	69,271	-	69,271
Travel	21,811	-	21,811
Telephone	4,187	-	4,187
Equipment	24,982	-	24,982
	<u>8,926,504</u>	<u>-</u>	<u>8,926,504</u>
Total expenses			
<b>REVENUE IN EXCESS OF EXPENSES</b>	2,631,580	419,107	3,050,687
<b>RELEASED FROM DONOR RESTRICTIONS</b>	206,021	(206,021)	-
<b>UNREALIZED GAIN ON INVESTMENTS, NET</b>	1,097,958	-	1,097,958
<b>CHANGE IN NET ASSETS</b>	3,935,559	213,086	4,148,645
<b>NET ASSETS</b>			
Beginning of year	<u>23,954,430</u>	<u>1,287,431</u>	<u>25,241,861</u>
End of year	<u>\$ 27,889,989</u>	<u>\$ 1,500,517</u>	<u>\$ 29,390,506</u>

THE AIR FORCE MUSEUM FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2022

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE</b>			
Merchandise sales	\$ 3,560,405	\$ -	\$ 3,560,405
Building and education fund donations	474,812	156,912	631,724
Contributions of nonfinancial assets and services	15,414	-	15,414
Other gifts and grants	1,785,785	160,002	1,945,787
Attractions ticket sales	1,233,524	-	1,233,524
Net investment return	305,059	-	305,059
Memorial park fund	11,829	7,345	19,174
Cafe net sales	566,756	-	566,756
Mail order fees, concessions, and other	57,108	-	57,108
Realized gain on investments, net	563,673	-	563,673
Employee Rentention Credit contribution	248,685	-	248,685
Total revenue	<u>8,823,050</u>	<u>324,259</u>	<u>9,147,309</u>
<b>EXPENSES</b>			
Salaries and wages	2,616,991	-	2,616,991
Cost of merchandise sold	1,539,977	-	1,539,977
Service contracts	308,568	-	308,568
Museum program support	1,481,333	-	1,481,333
Attractions operations	411,349	-	411,349
Depreciation and amortization	98,662	-	98,662
Payroll taxes	210,884	-	210,884
Professional services	126,526	-	126,526
Bank and card processing fees	195,664	-	195,664
Special events	47,459	-	47,459
Printing costs	171,594	-	171,594
Shipping and postage	83,052	-	83,052
Marketing and advertising	49,581	-	49,581
Cafe in-house expenses	21,303	-	21,303
Medical and life insurance benefits	146,056	-	146,056
401(k) contributions	104,723	-	104,723
Supplies	32,672	-	32,672
Insurance	56,851	-	56,851
Other	45,130	-	45,130
Travel	11,127	-	11,127
Telephone	3,864	-	3,864
Equipment	23,911	-	23,911
Loss on disposal of property and equipment	151	-	151
Total expenses	<u>7,787,428</u>	<u>-</u>	<u>7,787,428</u>
<b>REVENUE IN EXCESS OF EXPENSES</b>	1,035,622	324,259	1,359,881
<b>RELEASED FROM DONOR RESTRICTIONS</b>	121,423	(121,423)	-
<b>UNREALIZED LOSS ON INVESTMENTS, NET</b>	<u>(3,845,313)</u>	<u>-</u>	<u>(3,845,313)</u>
<b>CHANGE IN NET ASSETS</b>	(2,688,268)	202,836	(2,485,432)
<b>NET ASSETS</b>			
Beginning of year	<u>26,642,698</u>	<u>1,084,595</u>	<u>27,727,293</u>
End of year	<u>\$ 23,954,430</u>	<u>\$ 1,287,431</u>	<u>\$ 25,241,861</u>

THE AIR FORCE MUSEUM FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Cost of Goods Sold</u>	<u>Total</u>
Salaries and wages	\$ 1,894,071	\$ 554,103	\$ 798,305	\$ -	\$ 3,246,479
Cost of merchandise sold	-	-	-	2,098,355	2,098,355
Service contracts	119,572	171,068	51,362	-	342,002
Museum program support	1,102,083	-	-	-	1,102,083
Attractions operations	446,097	-	-	-	446,097
Depreciation and amortization	49,631	25,444	33,479	-	108,554
Payroll taxes	152,139	41,011	62,261	-	255,411
Professional services	3,058	39,417	40,863	-	83,338
Bank and card processing fees	239,388	7,034	17,641	-	264,063
Special events	54,512	-	4,995	-	59,507
Printing costs	91,302	1,462	114,955	-	207,719
Shipping and postage	62,549	1,517	31,530	-	95,596
Marketing and advertising	44,807	-	40,553	-	85,360
Cafe in-house expenses	1,828	-	-	-	1,828
Medical and life insurance benefits	124,496	16,984	43,232	-	184,712
401(k) contributions	74,699	25,759	33,808	-	134,266
Supplies	43,433	5,616	3,649	-	52,698
Insurance	19,315	18,870	-	-	38,185
Other	2,339	39,985	26,947	-	69,271
Travel	4,793	4,328	12,690	-	21,811
Telephone	2,492	839	856	-	4,187
Equipment	18,927	2,545	3,510	-	24,982
	<u>\$ 4,551,531</u>	<u>\$ 955,982</u>	<u>\$ 1,320,636</u>	<u>\$ 2,098,355</u>	<u>\$ 8,926,504</u>

See notes to financial statements.

THE AIR FORCE MUSEUM FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Cost of Goods Sold</u>	<u>Total</u>
Salaries and wages	\$ 1,474,380	\$ 410,407	\$ 732,204	\$ -	\$ 2,616,991
Cost of merchandise sold	-	-	-	1,539,977	1,539,977
Service contracts	99,536	137,713	71,319	-	308,568
Museum program support	1,481,333	-	-	-	1,481,333
Attractions operations	411,349	-	-	-	411,349
Depreciation and amortization	53,199	14,224	31,239	-	98,662
Payroll taxes	120,473	31,782	58,629	-	210,884
Professional services	1,168	120,991	4,367	-	126,526
Bank and card processing fees	173,092	6,012	16,560	-	195,664
Special events	40,634	4,134	2,691	-	47,459
Printing costs	86,806	1,185	83,603	-	171,594
Shipping and postage	55,479	1,413	26,160	-	83,052
Marketing and advertising	32,104	-	17,477	-	49,581
Cafe in-house expenses	21,303	-	-	-	21,303
Medical and life insurance benefits	90,199	14,951	40,906	-	146,056
401(k) contributions	60,681	16,757	27,285	-	104,723
Supplies	25,657	4,816	2,199	-	32,672
Insurance	38,090	18,761	-	-	56,851
Other	2,894	11,674	30,562	-	45,130
Travel	-	-	11,127	-	11,127
Telephone	2,374	704	786	-	3,864
Equipment	18,146	2,662	3,103	-	23,911
Loss on disposal of property and equipment	-	151	-	-	151
	<u>\$ 4,288,897</u>	<u>\$ 798,337</u>	<u>\$ 1,160,217</u>	<u>\$ 1,539,977</u>	<u>\$ 7,787,428</u>

See notes to financial statements.

THE AIR FORCE MUSEUM FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,148,645	\$ (2,485,432)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	108,554	98,662
Change in net present value of pledge receivables	(2,980)	12,661
Net (gain) loss on investments	(2,384,012)	3,281,640
(Gain) loss on disposal of property and equipment	<u>(5,112)</u>	<u>151</u>
	<b>1,865,095</b>	907,682
Changes in operating assets and liabilities:		
Employee Retention Credit receivable	248,685	(51,698)
Interest and dividends receivable	(10,270)	(15,314)
Merchandise inventories	15,901	(24,609)
Pledges receivable	28,500	(231,776)
Prepaid expenses and other assets	(90,766)	(168,690)
Accounts payable	120,745	45,167
Deferred revenue	16,900	26,170
Accrued liabilities	<u>89,896</u>	<u>(32,763)</u>
Net Cash and Cash Equivalents Provided by Operating Activities	<u>2,284,686</u>	<u>454,169</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of investments	(10,710,911)	(6,224,355)
Maturities and sales of investments	8,649,689	5,936,870
Purchases of property and equipment	(110,769)	(98,697)
Proceeds from disposal of property and equipment	<u>9,100</u>	<u>-</u>
Net Cash and Cash Equivalents Used by Investing Activities	<u>(2,162,891)</u>	<u>(386,182)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>121,795</b>	67,987
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>2,535,262</u>	<u>2,467,275</u>
End of year	<u>\$ 2,657,057</u>	<u>\$ 2,535,262</u>

NOTES TO FINANCIAL STATEMENTS

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

***Nature of Operations*** - The purpose of **The Air Force Museum Foundation, Inc.** (the "Foundation") is to foster and develop the National Museum of the United States Air Force (the "Museum") as a medium of information and education. The Foundation also assists in activities to develop and expand the Museum facilities through the donation of services and miscellaneous supplies. The activities of the Foundation include Attractions, Events, Museum Store, Cafe, Development, and General, and revenues are derived from public support, investment income, merchandise sales, cafe sales, event sales and attraction ticket sales. The Foundation follows the accounting procedures as set forth in the American Institute of Certified Public Accountants audit and accounting guide for Non-Profit Foundations.

***Basis of Presentation*** - Accounting standards require the Organization to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor 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 that resources be maintained in perpetuity. The Foundation has no net assets that are required to be maintained in perpetuity.

***Financial Estimates*** - The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents*** - Cash and equivalents include interest-bearing deposits and short-term daily investments, and are stated at cost which approximates fair value.

***Merchandise Inventories*** - Merchandise inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

***Pledge Receivables*** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in one or more years are discounted to present value. Conditional promises to give are recorded only when the conditions on which they depend are substantially met and the promises become unconditional. Pledges to gift money or stock will be recorded on the books of the Foundation upon receipt of a pledge agreement or signed letter of intent which specifies the terms of the pledge. The terms and timing of pledge payments are then recorded as receivables as specified in the signed pledge agreement at fair value as of the pledge date.

Gifts and gift pledges in which the donor has specified definite restrictions as to purpose with payment due in future years, will be recorded as net assets with donor restrictions and will only be used for the purpose specified.

NOTES TO FINANCIAL STATEMENTS

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

**Property and Equipment** - Property and equipment are stated at cost or fair market value if donated to the Foundation and are depreciated using the straight-line method over the estimated useful life of the asset. Maintenance and repairs are charged to expense at the time expenditures are incurred. Expenditures which significantly extend the lives of assets and major improvements are capitalized. The Foundation has a capitalization policy of \$500.

The Foundation reviews for impairment of long-lived assets in accordance with accounting standards. These standards require companies to determine if changes in circumstances indicate that the carrying amount of its long-lived assets may not be recoverable. If a change in circumstances warrants such an evaluation, undiscounted future cash flows from the use and ultimate disposition of the asset, as well as respective market values, are estimated to determine if an impairment exists. Management believes that there has been no impairment of the carrying value of its long-lived assets at December 31, 2023 and 2022.

**Investments** - Investments are recorded at fair value. Investments donated to the Foundation are recorded at fair market value at the date of the gift. Changes in fair values of investments are included in the Statements of Activities and Changes in Net Assets under the caption, Realized gain on investments, net and Unrealized gain (loss) on investments, net. Realized gains or losses from the sale of investment securities are determined using the specific identification method.

The Foundation's cash and cash equivalents were maintained at a single financial institution and exceeded the federal depository insurance limit of \$250,000 for each of the years 2023 and 2022.

**Fair Value** - Accounting standards establish a single definition of fair value and a framework for measuring fair value in accordance with generally accepted accounting principles. Fair value is defined as 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 in the principal or most advantageous market. This standard applies whenever other authoritative literature requires (or permits) certain assets and liabilities to be measured at fair value. Items carried at fair value on a recurring basis consist of investments. The Foundation also uses fair value concepts to test various long-lived assets for impairment, in the event a triggering event has occurred.

**Revenue** - Pledges, gifts and grants are recorded at present value as received, pledged, or as they become available. Merchandise sales, cafe sales and attraction ticket sales are recorded upon receipt. See Note 2 for additional revenue recognition disclosures.

**Contributions** - In accordance with accounting standards, the Foundation accounts for contributions received as support without donor restrictions or support with donor restrictions, depending on the existence or nature of any donor restrictions.

Gifts of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

NOTES TO FINANCIAL STATEMENTS

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

Donations of property and equipment are recorded as contributions of nonfinancial assets at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as increases in restricted net assets. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Foundation recognizes the fair value of contributed goods as contributions of nonfinancial assets. The Foundation recognizes donated services as contributions of nonfinancial services if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and (c) would otherwise be purchased by the Foundation. The fair value of contributed nonfinancial assets and services for the years 2023 and 2022 totaled \$2,365 and \$15,414, and have been included in the Statements of Activities and Changes in Net Assets as part of the appropriate expense category.

**Tax-Exempt Status** - The Foundation is a tax-exempt Foundation under Section 501(c)(3) of the Internal Revenue Code. However, certain income may be subject to unrelated business income tax. The Foundation had no unrelated business taxable income for the years 2023 and 2022. No tax liability was recorded as the Foundation has carry-forward losses to offset this income.

**Accounting for Uncertainty in Income Taxes** - Accounting standards require the evaluation of tax positions taken, or expected to be taken, in the course of preparing the Foundation's tax returns, to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. This statement provides that a tax benefit from an uncertain tax position may be recognized in the financial statements only when it is "more-likely-than-not" the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based upon the technical merits and consideration of all available information. Once the recognition threshold is met, the portion of the tax benefit that is recorded represents the largest amount of tax benefit that is greater than 50 percent likely to be realized upon settlement with a taxing authority. Based on its review, management does not believe the Foundation has taken any material uncertain tax positions, including any position that would place the Foundation's exempt status in jeopardy, as of December 31, 2023 and 2022.

**Functional Allocation of Expenses** - Directly identifiable expenses are charged to programs and supporting services. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The main expenses that are allocated include salaries and wages, benefits, and payroll taxes, which are allocated on the basis of time and effort; and professional services, office expenses, insurance, and other, which are allocated on the basis of actual utilization as well as estimates of time and effort.

**Reclassifications** - Certain prior year amounts have been reclassified to conform with current year presentation.

**Subsequent Events** - In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through May 6, 2024, the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

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**NOTE 2 - REVENUE RECOGNITION**

The Foundation derives its revenues primarily from public support, investment income, merchandise sales, cafe sales, event sales and attraction ticket sales. Revenues subject to ASC Topic 606 include merchandise sales, cafe sales, events sales and attraction ticket sales. For merchandise sales and cafe sales, revenue is recognized when control of these products is transferred to its customers, in an amount that reflects the consideration the Foundation expects to be entitled to in exchange for those products. Merchandise sales relating to museum gift cards or products on backorder are recorded as deferred revenue at the time of sale and are not recognized as revenue until order fulfillment. For event sales and attraction ticket sales, revenue is recognized when the service has been provided to the customer. Attractions include primarily theatre ticket sales and simulators. Sales and other taxes the Foundation collects concurrent with the revenue-producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contract are recognized as expense. Costs incurred to obtain a contract are expensed as incurred when the amortization period is less than a year. The Foundation does not have any significant financing components.

Revenue from performance obligations satisfied at a point in time consists of merchandise sales, cafe sales and attraction ticket sales. These goods and services are sold to end customers which include visitors of the Museum.

The contract balances at December 31, 2023 and 2022 are presented on the statements of financial position. At January 1, 2022, contract balances included deferred revenue of \$6,879.

Performance Obligations

For performance obligations related to merchandise sales and cafe sales, control transfers to the customer at a point in time. Most sales are completed at the gift shop or cafes located in the Museum, however, some gift shop sales are conducted through online orders. For these sales, the Foundation's terms are FOB Destination, and the Foundation transfers control and records revenue for product sales upon delivery to the customer. Revenue from event sales and attraction ticket sales is recognized when the service is provided, which is when the event or attraction is experienced by the end customer.

Variable Consideration

The nature of the Foundation's business gives rise to variable consideration, including discounts offered to employees, staff members and donors, as well as returns that generally decrease the transaction price which reduces revenue. These variable amounts are generally credited to the customer, based on product returns or price concessions.

Variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Variable consideration is estimated based upon historical experience and known trends.

THE AIR FORCE MUSEUM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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**NOTE 3 - LIQUIDITY AND AVAILABILITY**

The Foundation monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Foundation has the following financial assets, less those unavailable for general expenditure within one year:

	<u>2023</u>	<u>2022</u>
Financial Assets		
Cash and cash equivalents	<b>\$ 2,657,057</b>	\$ 2,535,262
Employee Retention Credit receivable	-	248,685
Investments - at fair value	<b>26,175,560</b>	21,730,326
Interest and dividends receivable	<b>65,783</b>	55,513
Pledges receivable, net	<b>221,809</b>	247,329
Other assets	<b>23,080</b>	29,859
	<b>29,143,289</b>	24,846,974
Less those unavailable for general expenditure within one year due to:		
Purpose restrictions	<b>1,386,228</b>	1,127,429
Pledges receivable collectible beyond one year or restricted by nature	<b>66,683</b>	79,703
	<b>1,452,911</b>	1,207,132
Financial assets available within one year of statement of financial position date for general expenditure	<b><u>\$ 27,690,378</u></b>	<b><u>\$ 23,639,842</u></b>

In addition to financial assets available to meet general expenditure over the year, the Foundation anticipates covering its general expenditures by collecting public support and revenue and by utilizing donor-restricted resources from current gifts and by appropriating the return on its investment portfolio.

**NOTE 4 - EMPLOYEE RETENTION CREDIT**

The Foundation experienced a decrease in gross receipts in certain quarters of 2021 as compared to 2019. Due to this decline in gross receipts, the Foundation qualified for the Employee Retention Credit ("ERC"). The ERC was provided for under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), including subsequent amendments. For the year 2021, the ERC was equal to 70% of qualified wages paid to employees during a qualifying quarter, capped at \$10,000 of qualified wages per employee. This payroll tax credit was available to offset certain employment taxes with any excess being refunded. The ERC for 2021, filed for in 2022, was estimated to be \$248,685 and is reported as a receivable on the statements of financial position and as contribution revenue on the statements of activity and changes in net assets for the year ended December 31, 2022. The Foundation received the 2021 ERC for \$248,685 during 2023.

THE AIR FORCE MUSEUM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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NOTE 5 - MERCHANDISE INVENTORIES

	<u>2023</u>	<u>2022</u>
Gifts	\$ 98,526	\$ 108,037
Books	39,585	52,824
Prints	4,303	4,968
Models	10,118	9,457
Donated items	7,264	8,267
Other	<u>42,281</u>	<u>34,425</u>
	<u>\$ 202,077</u>	<u>\$ 217,978</u>

NOTE 6 - PLEDGES RECEIVABLE

The Foundation records pledges receivable at present value using a present value rate ranging from 1.25% to 4.00%. Pledges receivable are \$221,809 and \$247,329 at December 31, 2023 and 2022. The net present value of long-term pledges receivable is determined based upon the 3 or 5 year treasury bill rates in the year the pledge is made.

The following table is a schedule of pledges receivable over the next five years and thereafter:

2024	\$ 155,126
2025	11,000
2026	11,000
2027	11,000
2028	11,000
Thereafter	<u>33,000</u>
	232,126
Less discount to net present value	<u>10,317</u>
	<u>\$ 221,809</u>

THE AIR FORCE MUSEUM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - INVESTMENTS

Investments with maturities of less than one year are classified as short-term. The remaining investments are classified as long-term. Investments at December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 1,600,789	\$ 694,956
Common stocks	14,905,149	12,424,997
Mutual funds	69,982	63,178
Certificates of deposit	2,580,718	2,090,368
Corporate bonds	5,954,701	5,406,117
Alternative investments	<u>1,064,221</u>	<u>1,050,710</u>
Total investments	26,175,560	21,730,326
Less current investments	<u>3,597,393</u>	<u>2,188,159</u>
	<u>\$ 22,578,167</u>	<u>\$ 19,542,167</u>

The following reflects the cost and estimated fair values of marketable securities held at December 31, 2023 and 2022. In addition, gross unrealized gains and unrealized losses are disclosed for the years 2023 and 2022.

	<u>2023</u>			
	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
Money market funds	\$ 1,600,789	\$ -	\$ -	\$ 1,600,789
Common stocks	12,896,092	2,009,057	-	14,905,149
Mutual funds	62,837	7,145	-	69,982
Certificates of deposit	2,611,000	-	(30,282)	2,580,718
Corporate bonds	6,149,455	-	(194,754)	5,954,701
Alternative investments	<u>918,602</u>	<u>145,619</u>	-	<u>1,064,221</u>
	<u>\$ 24,238,775</u>	<u>\$ 2,161,821</u>	<u>\$ (225,036)</u>	<u>\$ 26,175,560</u>

THE AIR FORCE MUSEUM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - INVESTMENTS - CONTINUED

	2022			Estimated Fair Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Money market funds	\$ 694,956	\$ -	\$ -	\$ 694,956
Common stocks	11,355,614	1,069,383	-	12,424,997
Mutual funds	60,565	2,613	-	63,178
Certificates of deposit	2,149,000	-	(58,632)	2,090,368
Corporate bonds	5,746,512	-	(340,395)	5,406,117
Alternative investments	<u>889,060</u>	<u>161,650</u>	<u>-</u>	<u>1,050,710</u>
	<u>\$ 20,895,707</u>	<u>\$ 1,233,646</u>	<u>\$ (399,027)</u>	<u>\$ 21,730,326</u>

Unrealized gains (losses) of \$1,097,958 and \$(3,845,313), and realized gains of \$1,286,054 and \$563,673 from sales of investments, are included in the statements of activities and changes in net assets for the years 2023 and 2022. Gross investment return for the years 2023 and 2022 totaled \$633,505 and \$472,690, which includes investment management fees of \$125,650 and \$123,179 and other investment expenses of \$42,468 and \$44,452 in net investment return in the statements of activities and changes in net assets for the years 2023 and 2022.

NOTE 8 - FAIR VALUE

The Foundation is required to use inputs for measuring fair value according to the three level hierarchy established in the accounting standards, using the highest level possible (e.g., Level 1) if such inputs are available, and if not, going to the next lower level.

The three levels for measuring fair value are:

**Level 1** - Fair values are determined by reference to quoted market prices in an active market and other relevant information generated by market transactions.

**Level 2** - Fair value is based on model inputs that are observable either directly or indirectly.

**Level 3** - Fair values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair measurement. These inputs reflect assumptions of management using valuation techniques consistent from year to year.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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 December 31, 2023.

*Money market securities, common stock, mutual funds, and certificates of deposit:* Value of these investments at year-end is based on quoted market prices.

*Corporate bonds and alternative investments:* Value of these investments at year-end is based on observable model inputs.

**THE AIR FORCE MUSEUM FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - FAIR VALUE - CONTINUED**

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no transfers between classifications or changes in valuation methods to determine leveling for the years 2023 and 2022. The Foundation had no Level 3 financial instruments as of December 31, 2023 and 2022.

Fair values of the Foundation's financial assets and liabilities measured on a recurring basis at December 31, 2023 and 2022:

	<b>2023</b>		
	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>
<b>Assets</b>			
Money market funds	\$ 1,600,789	\$ 1,600,789	\$ -
Common stocks	14,905,149	14,905,149	-
Mutual funds	69,982	69,982	-
Certificates of deposit	2,580,718	2,580,718	-
Corporate bonds	5,954,701	-	5,954,701
Alternative investments	1,064,221	-	1,064,221
	<b><u>\$ 26,175,560</u></b>	<b><u>\$ 19,156,638</u></b>	<b><u>\$ 7,018,922</u></b>
<b>2022</b>			
	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>
<b>Assets</b>			
Money market funds	\$ 694,956	\$ 694,956	\$ -
Common stocks	12,424,997	12,424,997	-
Mutual funds	63,178	63,178	-
Certificates of deposit	2,090,368	2,090,368	-
Corporate bonds	5,406,117	-	5,406,117
Alternative investments	1,050,710	-	1,050,710
	<b><u>\$ 21,730,326</u></b>	<b><u>\$ 15,273,499</u></b>	<b><u>\$ 6,456,827</u></b>

**NOTE 9 - EMPLOYEE BENEFIT PLAN**

The Foundation provides a 401(k) profit sharing plan, which covers all qualified employees. Participants may contribute up to 85% of their pre-tax annual compensation as defined in the Plan, up to the maximum amount permissible under tax laws. For the years 2023 and 2022, the Foundation matched 100% of the employees' contribution, up to 5% of the employees' pre-tax annual compensation as defined by the Plan. The Plan also provides for a profit sharing contribution at the discretion of the Board of Trustees of the Foundation. The Foundation's expense under the Plan was \$134,266 and \$104,723 for the years 2023 and 2022.

THE AIR FORCE MUSEUM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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**NOTE 10 - CONTRIBUTED NONFINANCIAL ASSETS AND SERVICES**

For the years ended December 31, 2023 and 2022, contributed nonfinancial assets and services recognized within the statement of activities included:

	<u>2023</u>	<u>2022</u>
Printing	\$ -	\$ 5,000
Fundraising items	1,104	125
Food and beverages	1,261	9,729
Electronics and miscellaneous items	<u>-</u>	<u>560</u>
	<u>\$ 2,365</u>	<u>\$ 15,414</u>

The Foundation recognized contributed nonfinancial assets and services, including contributed printing, fundraising items, food and beverages, and various electronics and miscellaneous items on behalf of the Foundation as revenue and support. Unless otherwise noted, contributed nonfinancial assets and services did not have donor-imposed restrictions. For the years 2023 and 2022, there were no in-kind salaries reported in the statements of functional expenses.

Contributed printing recognized consist of printing materials provided for the Foundation's seasonal journal and flyers for the Dayton Air Show. Contributed printing materials and services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar printing material purchases.

Contributed fundraising items recognized consist of meal vouchers, attraction tickets, and general support gifts which the Foundation gives away during programming events. Contributed fundraising items are valued and are reported at the estimated fair value in the financial statements based on the typical rates charged for similar purchases.

Contributed food and beverages recognized consist of food and beverages provided to the staff from local businesses and beverages provided for the Foundation's programming events. Contributed food and beverages are valued and are reported at the estimated fair value in the financial statements based on the typical rates charged for similar purchases.

Contributed electronics and miscellaneous items recognized consist of office phones, presentation materials, office supplies, and educational materials provided to the Foundation for their programming. Contributed electronics and miscellaneous items are valued and are reported at the estimated fair value in the financial statements based on current rates for similar purchases.

The Foundation also receives contributed occupancy costs from the Museum. The value of these contributed occupancy costs had not been determined as of December 31, 2023 and has not been recorded in the statements of activities for the years 2023 and 2022. Subsequent to year-end, the Foundation entered into a lease agreement with the Department of the Air Force wherein the fair market rental value of the contributed occupancy costs was determined to be \$300,000 over a twenty-five year period beginning February 1, 2024 and ending January 31, 2049.

THE AIR FORCE MUSEUM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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**NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at December 31, 2023 and 2022 were comprised of the following:

	<u>2023</u>	<u>2022</u>
Purpose restrictions	\$ 1,386,228	\$ 1,127,429
Time restricted	<u>114,289</u>	<u>160,002</u>
	<u>\$ 1,500,517</u>	<u>\$ 1,287,431</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or the expiration of time restrictions. Net assets totaling \$206,021 and \$121,423 were released from restrictions for the years 2023 and 2022.