

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2024 AND 2023

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 18



INDEPENDENT AUDITORS' REPORT

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, 2024 and 2023, 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, 2024 and 2023, 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

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 12, 2025

THE AIR FORCE MUSEUM FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,054,386	\$ 2,657,057
Investments - at fair value	2,519,658	3,597,393
Interest and dividends receivable	85,486	65,783
Merchandise inventories	218,032	202,077
Contributions receivable	11,336	-
Pledges receivable	103,626	155,126
Prepaid expenses and other assets	<u>241,870</u>	<u>334,661</u>
Total current assets	<u>6,234,394</u>	<u>7,012,097</u>
PROPERTY AND EQUIPMENT		
Leasehold improvements	229,352	229,352
Furniture and equipment	<u>1,894,329</u>	<u>1,874,905</u>
	2,123,681	2,104,257
Less accumulated depreciation	<u>1,645,404</u>	<u>1,647,053</u>
Total property and equipment	<u>478,277</u>	<u>457,204</u>
OTHER ASSETS		
Investments - at fair value	25,939,151	22,578,167
Contributions receivable - net of current portion	164,914	-
Pledges receivable - net of current portion	<u>61,772</u>	<u>66,683</u>
Total other assets	<u>26,165,837</u>	<u>22,644,850</u>
	<u>\$ 32,878,508</u>	<u>\$ 30,114,151</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 226,660	\$ 313,387
Accrued payroll and taxes, PTO and 401(k) contributions	424,011	360,309
Deferred revenue	<u>49,469</u>	<u>49,949</u>
Total current liabilities	<u>700,140</u>	<u>723,645</u>
NET ASSETS		
Without donor restrictions	30,670,562	27,889,989
With donor restrictions	<u>1,507,806</u>	<u>1,500,517</u>
Total net assets	<u>32,178,368</u>	<u>29,390,506</u>
	<u>\$ 32,878,508</u>	<u>\$ 30,114,151</u>

THE AIR FORCE MUSEUM FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Merchandise sales	\$ 4,299,535	\$ -	\$ 4,299,535
Building and education fund donations	178,236	135,000	313,236
Contributions of nonfinancial assets and services	25,730	176,250	201,980
Other gifts and grants	2,380,116	5,000	2,385,116
Attractions ticket sales	1,517,854	-	1,517,854
Net investment return	601,284	-	601,284
Memorial park fund	1,000	-	1,000
Cafe net sales	834,344	-	834,344
Mail order fees, concessions, and other	68,636	-	68,636
Realized gain on investments, net	906,736	-	906,736
	<u>10,813,471</u>	<u>316,250</u>	<u>11,129,721</u>
EXPENSES			
Salaries and wages	3,516,946	-	3,516,946
Cost of merchandise sold	2,030,868	-	2,030,868
Service contracts	404,437	-	404,437
Museum program support	1,075,477	-	1,075,477
Attractions operations	450,295	-	450,295
Depreciation and amortization	97,800	-	97,800
Payroll taxes	282,547	-	282,547
Professional services	169,031	-	169,031
Bank and card processing fees	250,737	-	250,737
Special events	66,875	-	66,875
Printing costs	160,581	-	160,581
Shipping and postage	105,991	-	105,991
Marketing and advertising	54,353	-	54,353
Medical and life insurance benefits	184,597	-	184,597
401(k) contributions	144,629	-	144,629
Supplies	60,405	-	60,405
Rent	11,000	-	11,000
Utilities	3,962	-	3,962
Insurance	39,344	-	39,344
Other	52,360	-	52,360
Travel	34,758	-	34,758
Telephone	4,344	-	4,344
Equipment	25,673	-	25,673
Loss on disposal of property and equipment	2,880	-	2,880
	<u>9,229,890</u>	<u>-</u>	<u>9,229,890</u>
REVENUE IN EXCESS OF EXPENSES	1,583,581	316,250	1,899,831
RELEASED FROM DONOR RESTRICTIONS	308,961	(308,961)	-
UNREALIZED GAIN ON INVESTMENTS, NET	<u>888,031</u>	<u>-</u>	<u>888,031</u>
CHANGE IN NET ASSETS	2,780,573	7,289	2,787,862
NET ASSETS			
Beginning of year	<u>27,889,989</u>	<u>1,500,517</u>	<u>29,390,506</u>
End of year	<u>\$ 30,670,562</u>	<u>\$ 1,507,806</u>	<u>\$ 32,178,368</u>

See notes to financial statements.

THE AIR FORCE MUSEUM FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
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
Total revenue	<u>11,558,084</u>	<u>419,107</u>	<u>11,977,191</u>
EXPENSES			
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
Total expenses	<u>8,926,504</u>	<u>-</u>	<u>8,926,504</u>
REVENUE IN EXCESS OF EXPENSES	2,631,580	419,107	3,050,687
RELEASED FROM DONOR RESTRICTIONS	206,021	(206,021)	-
UNREALIZED GAIN ON INVESTMENTS, NET	<u>1,097,958</u>	<u>-</u>	<u>1,097,958</u>
CHANGE IN NET ASSETS	3,935,559	213,086	4,148,645
NET ASSETS			
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 FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2024

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Cost of Goods Sold</u>	<u>Total</u>
Salaries and wages	\$ 1,967,335	\$ 581,505	\$ 968,106	\$ -	\$ 3,516,946
Cost of merchandise sold	-	-	-	2,030,868	2,030,868
Service contracts	192,070	164,081	48,286	-	404,437
Museum program support	1,075,477	-	-	-	1,075,477
Attractions operations	450,295	-	-	-	450,295
Depreciation and amortization	45,975	22,166	29,659	-	97,800
Payroll taxes	162,600	42,680	77,267	-	282,547
Professional services	1,330	62,402	105,299	-	169,031
Bank and card processing fees	218,291	9,570	22,876	-	250,737
Special events	59,868	-	7,007	-	66,875
Printing costs	87,581	1,189	71,811	-	160,581
Shipping and postage	70,650	1,827	33,514	-	105,991
Marketing and advertising	40,518	280	13,555	-	54,353
Medical and life insurance benefits	115,112	24,713	44,772	-	184,597
401(k) contributions	87,114	27,105	30,410	-	144,629
Supplies	51,934	6,187	2,284	-	60,405
Rent	-	11,000	-	-	11,000
Utilities	-	3,962	-	-	3,962
Insurance	20,275	19,069	-	-	39,344
Other	3,170	18,562	30,628	-	52,360
Travel	6,414	1,871	26,473	-	34,758
Telephone	2,660	859	825	-	4,344
Equipment	20,987	222	4,464	-	25,673
Loss on disposal of property and equipment	2,843	37	-	-	2,880
	<u>\$ 4,682,499</u>	<u>\$ 999,287</u>	<u>\$ 1,517,236</u>	<u>\$ 2,030,868</u>	<u>\$ 9,229,890</u>

See notes to financial statements.

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.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 2,787,862	\$ 4,148,645
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	97,800	108,554
Change in net present value of pledge receivables	(2,088)	(2,980)
Net gain on investments	(1,794,767)	(2,384,012)
(Gain) loss on disposal of property and equipment	2,880	(5,112)
Net contributed occupancy costs	<u>(176,250)</u>	<u>-</u>
	915,437	1,865,095
Changes in operating assets and liabilities:		
Employee Retention Credit receivable	-	248,685
Interest and dividends receivable	(19,703)	(10,270)
Merchandise inventories	(15,955)	15,901
Pledges receivable	58,499	28,500
Prepaid expenses and other assets	92,791	(90,766)
Accounts payable	(86,727)	120,745
Deferred revenue	(480)	16,900
Accrued liabilities	<u>63,702</u>	<u>89,896</u>
Net Cash and Cash Equivalents Provided by Operating Activities	<u>1,007,564</u>	<u>2,284,686</u>
INVESTING ACTIVITIES		
Purchases of investments	(6,839,865)	(10,710,911)
Maturities and sales of investments	6,351,383	8,649,689
Purchases of property and equipment	(121,753)	(110,769)
Proceeds from disposal of property and equipment	<u>-</u>	<u>9,100</u>
Net Cash and Cash Equivalents Used by Investing Activities	<u>(610,235)</u>	<u>(2,162,891)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	397,329	121,795
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,657,057</u>	<u>2,535,262</u>
End of year	<u>\$ 3,054,386</u>	<u>\$ 2,657,057</u>

NOTES TO FINANCIAL STATEMENTS

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

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, 2024 and 2023.

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 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 2024 and 2023.

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, contributions, 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Foundation receives conditional funding from various grantors. This funding is recognized as the Foundation meets specific donor-imposed conditions, which generally represent receiving approval from the grantor that the grant reporting and objectives were satisfied. The Foundation has approximately \$60,000 of unrecognized conditional promises to give at December 31, 2024. The Foundation did not have any unrecognized conditional promises to give at December 31, 2023.

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 2024 and 2023 totaled \$201,980 and \$2,365, and have been included in the Statements of Activities and Changes in Net Assets as part of the appropriate expense category, or in the Statements of Financial Position as part of the appropriate asset 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 2024 and 2023. 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, 2024 and 2023.

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.

Subsequent Events - In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through May 12, 2025, the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

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, 2024 and 2023 are presented on the statements of financial position. At January 1, 2023, contract balances included deferred revenue of \$33,049.

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

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>2024</u>	<u>2023</u>
Financial Assets		
Cash and cash equivalents	\$ 3,054,386	\$ 2,657,057
Investments - at fair value	28,458,809	26,175,560
Interest and dividends receivable	85,486	65,783
Pledges receivable, net	165,398	221,809
Other assets	<u>30,829</u>	<u>23,080</u>
	31,794,908	29,143,289
Less those unavailable for general expenditure within one year due to:		
Purpose restrictions	1,218,580	1,386,228
Pledges receivable collectible beyond one year or restricted by nature	<u>61,772</u>	<u>66,683</u>
	<u>1,280,352</u>	<u>1,452,911</u>
Financial assets available within one year of statement of financial position date for general expenditure	<u>\$ 30,514,556</u>	<u>\$ 27,690,378</u>

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 - MERCHANDISE INVENTORIES

	<u>2024</u>	<u>2023</u>
Gifts	\$ 103,196	\$ 98,526
Books	39,915	39,585
Prints	5,731	4,303
Models	10,507	10,118
Donated items	2,505	7,264
Other	<u>56,178</u>	<u>42,281</u>
	<u>\$ 218,032</u>	<u>\$ 202,077</u>

THE AIR FORCE MUSEUM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - PLEDGES RECEIVABLE

The Foundation records pledges receivable at present value using a present value rate ranging from 1.25% to 4.30%. Pledges receivable are \$165,398 and \$221,809 at December 31, 2024 and 2023. 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:

2025	\$	103,626
2026		12,000
2027		12,000
2028		12,000
2029		12,000
Thereafter		<u>22,000</u>
Total		173,626
Less discount to net present value		<u>8,228</u>
	\$	<u>165,398</u>

NOTE 6 - 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, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Money market funds	\$ 440,035	\$ 1,600,789
Common stocks	16,838,768	14,905,149
Mutual funds	62,498	69,982
Certificates of deposit	1,650,231	2,580,718
Corporate bonds	8,372,019	5,954,701
Alternative investments	<u>1,095,258</u>	<u>1,064,221</u>
Total investments	28,458,809	26,175,560
Less current investments	<u>2,519,658</u>	<u>3,597,393</u>
	<u>\$ 25,939,151</u>	<u>\$ 22,578,167</u>

THE AIR FORCE MUSEUM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - INVESTMENTS - CONTINUED

The following reflects the cost and estimated fair values of marketable securities held at December 31, 2024 and 2023. In addition, gross unrealized gains and unrealized losses are disclosed for the years 2024 and 2023.

	2024			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds	\$ 440,035	\$ -	\$ -	\$ 440,035
Common stocks	14,012,705	2,826,063	-	16,838,768
Mutual funds	61,524	974	-	62,498
Certificates of deposit	1,641,000	9,231	-	1,650,231
Corporate bonds	8,529,638	-	(157,619)	8,372,019
Alternative investments	944,133	151,125	-	1,095,258
	<u>\$ 25,629,035</u>	<u>\$ 2,987,393</u>	<u>\$ (157,619)</u>	<u>\$ 28,458,809</u>
	2023			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
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	918,602	145,619	-	1,064,221
	<u>\$ 24,238,775</u>	<u>\$ 2,161,821</u>	<u>\$ (225,036)</u>	<u>\$ 26,175,560</u>

Unrealized gains of \$888,031 and \$1,097,958, and realized gains of \$906,736 and \$1,286,054 from sales of investments, are included in the statements of activities and changes in net assets for the years 2024 and 2023. Gross investment return for the years 2024 and 2023 totaled \$792,947 and \$633,505, which includes investment management fees of \$149,845 and \$125,650 and other investment expenses of \$41,818 and \$42,468 in net investment return in the statements of activities and changes in net assets for the years 2024 and 2023.

THE AIR FORCE MUSEUM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - 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, 2024.

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 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 2024 and 2023. The Foundation had no Level 3 financial instruments as of December 31, 2024 and 2023.

Fair values of the Foundation's financial assets and liabilities measured on a recurring basis at December 31, 2024 and 2023:

	2024		
	Fair Value	Level 1	Level 2
Assets			
Money market funds	\$ 440,035	\$ 440,035	\$ -
Common stocks	16,838,768	16,838,768	-
Mutual funds	62,498	62,498	-
Certificates of deposit	1,650,231	1,650,231	-
Corporate bonds	8,372,019	-	8,372,019
Alternative investments	1,095,258	-	1,095,258
	<u>\$ 28,458,809</u>	<u>\$ 18,991,532</u>	<u>\$ 9,467,277</u>

THE AIR FORCE MUSEUM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - FAIR VALUE - CONTINUED

	2023		
	Fair Value	Level 1	Level 2
Assets			
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
	<u>\$ 26,175,560</u>	<u>\$ 19,156,638</u>	<u>\$ 7,018,922</u>

NOTE 8 - 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 2024 and 2023, 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 \$144,629 and \$134,266 for the years 2024 and 2023.

NOTE 9 - CONTRIBUTED NONFINANCIAL ASSETS AND SERVICES

For the years ended December 31, 2024 and 2023, contributed nonfinancial assets and services recognized within the statement of activities included:

	<u>2024</u>	<u>2023</u>
Printing	\$ 8,700	\$ -
Fundraising items	662	1,104
Property and equipment	5,000	-
Food and beverages	368	1,261
Rent and occupancy costs	<u>187,250</u>	<u>-</u>
	<u>\$ 201,980</u>	<u>\$ 2,365</u>

The Foundation recognized contributed nonfinancial assets and services, including contributed printing, fundraising items, property and equipment, food and beverages, and rent and occupancy costs 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 2024 and 2023, 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 2025 calendar which was sent to donors and sold in the Museum Store. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - CONTRIBUTED NONFINANCIAL ASSETS AND SERVICES - CONTINUED

Contributed fundraising items recognized consist of flowers, giveaways, 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 property and equipment recognized consist of donated furniture for the entrance hall. Contributed property and equipment was capitalized at fair value based on vendor invoices, and is included in property and equipment on the statement of financial position.

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.

The Foundation also receives contributed occupancy costs from the Museum. The Foundation entered into a lease agreement with the Department of the Air Force (a related party entity) 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. For the year ended December 31, 2024, the Foundation recognized \$11,000 of contributed occupancy costs, which is disclosed as rent expense on the accompanying statement of activities. The Foundation further recognized contribution revenue of \$187,250 during 2024, which represents the net present value of the total contributed occupancy costs over the twenty-five year period, in accordance with contribution accounting guidance. The remaining contributions receivable balance is \$176,250 as of December 31, 2024. This balance is included in net assets with donor restrictions restricted for time at December 31, 2024.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2024 and 2023 were comprised of the following:

	<u>2024</u>	<u>2023</u>
Purpose restrictions	\$ 1,218,580	\$ 1,386,228
Time restricted	<u>289,226</u>	<u>114,289</u>
	<u>\$ 1,507,806</u>	<u>\$ 1,500,517</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or the expiration of time restrictions. Net assets totaling \$308,961 and \$206,021 were released from restrictions for the years 2024 and 2023.