



NATIONAL WASP WWII MUSEUM, INC.
Sweetwater, Texas

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2020 and 2019

NATIONAL WASP WWII MUSEUM, INC.
Sweetwater, Texas

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December 31, 2020 and 2019

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July 15, 2021

**Board of Directors
National WASP WWII Museum, Inc.
Sweetwater, Texas**

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of National WASP WWII Museum, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and 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.

Auditors' 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 of 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 purposes 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National WASP WWII Museum, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Condley and Company, L.L.P.

Certified Public Accountants

NATIONAL WASP WWII MUSEUM, INC.
Sweetwater, Texas

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	December 31,	
	2020	2019
Current Assets:		
Cash and cash equivalents	\$ 918,480	\$ 692,808
Accounts receivable	4,107	7,708
Prepaid expenses and other current assets	64,146	24,249
Inventory	29,833	41,658
	1,016,566	766,423
Property, plant and equipment, net of accumulated depreciation	4,327,467	3,436,829
TOTAL ASSETS	\$ 5,344,033	\$ 4,203,252
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 361,966	\$ 78,070
Current portion of note payable	12,009	-
	373,975	78,070
Total Current Liabilities	373,975	78,070
Long-term portion of note payable	38,091	-
Total Liabilities	412,066	78,070
Net Assets:		
Without donor restrictions	4,726,967	3,830,436
With donor restrictions	205,000	294,746
	4,931,967	4,125,182
TOTAL LIABILITIES AND NET ASSETS	\$ 5,344,033	\$ 4,203,252

The accompanying notes are an integral part of the financial statements.

NATIONAL WASP WWII MUSEUM, INC.
Sweetwater, Texas

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES:			
Support:			
Contributions	\$ 1,111,096	\$ 869,539	\$ 1,980,635
Other revenues	<u>1,000</u>	<u> </u>	<u>1,000</u>
Total Support	1,112,096	869,539	1,981,635
Other Operating Revenues:			
Memberships	50,945	<u> </u>	50,945
Museum store sales	52,133	<u> </u>	52,133
Less: cost of goods sold	(22,539)	<u> </u>	(22,539)
Special events	800	<u> </u>	800
Less: special events costs	<u>(4,735)</u>	<u> </u>	<u>(4,735)</u>
Total Other Operating Revenues	76,604	-	76,604
Net assets released from restriction	<u>959,285</u>	<u>(959,285)</u>	<u>-</u>
	959,285	(959,285)	-
Total Revenues	<u>2,147,985</u>	<u>(89,746)</u>	<u>2,058,239</u>
EXPENSES:			
Program services	644,911	<u> </u>	644,911
General and administrative	139,829	<u> </u>	139,829
Fundraising expenses	<u>509,655</u>	<u> </u>	<u>509,655</u>
Total Expenses	<u>1,294,395</u>	<u>-</u>	<u>1,294,395</u>
Excess of Revenues Over Expenses	853,590	(89,746)	763,844
Non-Operating Revenue (Expenses):			
Net investment loss	(185)	<u> </u>	(185)
Interest expense	(2,446)	<u> </u>	(2,446)
Paycheck Protection Program Forgiveness	<u>45,572</u>	<u> </u>	<u>45,572</u>
Total Non-Operating Revenues	<u>42,941</u>	<u>-</u>	<u>42,941</u>
CHANGE IN NET ASSETS	896,531	(89,746)	806,785
Net Assets at Beginning of Year	<u>3,830,436</u>	<u>294,746</u>	<u>4,125,182</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,726,967</u>	<u>\$ 205,000</u>	<u>\$ 4,931,967</u>

The accompanying notes are an integral part of the financial statements.

NATIONAL WASP WWII MUSEUM, INC.
Sweetwater, Texas

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES:			
Support:			
Contributions	\$ 1,192,417	\$ 254,611	\$ 1,447,028
Grant income	27,951		27,951
Less: Direct cost of grant related expenses	<u>(13,826)</u>		<u>(13,826)</u>
Total Support	1,206,542	254,611	1,461,153
Other Operating Revenues:			
Memberships	34,989		34,989
Museum store sales	73,639		73,639
Less: cost of goods sold	(35,493)		(35,493)
Special events	49,030		49,030
Less: special events costs	<u>(46,684)</u>		<u>(46,684)</u>
Total Other Operating Revenues	75,481	-	75,481
Net assets released from restriction	<u>191,270</u>	<u>(191,270)</u>	<u>-</u>
	191,270	(191,270)	-
Total Revenues	<u>1,473,293</u>	<u>63,341</u>	<u>1,536,634</u>
EXPENSES:			
Program services	556,312		556,312
General and administrative	134,650		134,650
Fundraising expenses	<u>487,984</u>		<u>487,984</u>
Total Expenses	<u>1,178,946</u>	<u>-</u>	<u>1,178,946</u>
Excess of Revenues Over Expenses	294,347	63,341	357,688
Non-Operating Revenue (Expenses):			
Net investment return	1,017		1,017
Loss on disposal of assets	(34,395)		(34,395)
Other	<u>811</u>		<u>811</u>
Total Non-Operating Expenses	<u>(32,567)</u>	<u>-</u>	<u>(32,567)</u>
CHANGE IN NET ASSETS	261,780	63,341	325,121
Net Assets at Beginning of Year	<u>3,568,656</u>	<u>231,405</u>	<u>3,800,061</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,830,436</u>	<u>\$ 294,746</u>	<u>\$ 4,125,182</u>

The accompanying notes are an integral part of the financial statements.

NATIONAL WASP WWII MUSEUM, INC.
Sweetwater, Texas

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

	Supporting Services			Total Supporting Services	Total Program and Supporting Services
	Program Services	General and Administrative	Fund Raising		
Salaries and employee benefits	\$ 162,995	\$ 81,498	\$ 27,166	\$ 108,664	\$ 271,659
Advertising and promotions	3,087		11,973	11,973	15,060
Office expenses	9,047	1,437		1,437	10,484
Store cost of goods sold			22,539	22,539	22,539
Special events expense			4,735	4,735	4,735
Insurance	16,685	1,854		1,854	18,539
Printing and publications	115,028	9,882	183,705	193,587	308,615
Postage and shipping	96,468	8,444	153,880	162,324	258,792
Occupancy	42,161	4,685		4,685	46,846
Professional fundraising fees	39,083	3,257	66,223	69,480	108,563
Travel and meetings	6,322			-	6,322
Professional fees		22,246		22,246	22,246
Telephone	4,772	280	561	841	5,613
Information technology and computers	1,009	112		112	1,121
Depreciation	85,015	1,025		1,025	86,040
Donor gifts	37,009	3,068	63,534	66,602	103,611
Miscellaneous	26,230	2,041	2,613	4,654	30,884
Total expenses by function	644,911	139,829	536,929	676,758	1,321,669
Less expenses included with revenues on the statement of activities:					
Special events expense			(4,735)	(4,735)	(4,735)
Store cost of goods sold			(22,539)	(22,539)	(22,539)
Total expenses included in the expense section on the statement of activities	\$ 644,911	\$ 139,829	\$ 509,655	\$ 649,484	\$ 1,294,395

The accompanying notes are an integral part of the financial statements.

NATIONAL WASP WWII MUSEUM, INC.
Sweetwater, Texas

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	Supporting Services			Total Supporting Services	Total Program and Supporting Services
	Program Services	General and Administrative	Fund Raising		
Salaries and employee benefits	\$ 142,471	\$ 71,235	\$ 23,745	\$ 94,980	\$ 237,451
Advertising and promotions	1,587		6,257	6,257	7,844
Office expenses	15,248	1,594		1,594	16,842
Grant related expenses		13,825		13,825	13,825
Store cost of goods sold			35,493	35,493	35,493
Special events expense			46,684	46,684	46,684
Insurance	11,866	1,318		1,318	13,184
Printing and publications	84,829	8,722	169,276	177,998	262,827
Postage and shipping	88,032	9,136	181,475	190,611	278,643
Occupancy	40,005	4,445		4,445	44,450
Professional fundraising fees	27,733	2,773	61,937	64,710	92,443
Travel and meetings	18,244			-	18,244
Professional fees		17,474	(10,325)	7,149	7,149
Telephone	8,825	519	1,038	1,557	10,382
Information technology and computers	1,055	117		117	1,172
Depreciation	79,423	382		382	79,805
Donor gifts	22,890	2,278	51,298	53,576	76,466
Miscellaneous	29,821	832	3,283	4,115	33,936
Total expenses by function	572,029	134,650	570,161	704,811	1,276,840
Less expenses included with revenues on the statement of activities:					
Special events expense			(46,684)	(46,684)	(46,684)
Direct grant related expense	(13,826)			-	(13,826)
Store cost of goods sold			(35,493)	(35,493)	(35,493)
Program expenses	(1,891)			-	(1,891)
Total expenses included in the expense section on the statement of activities	\$ 556,312	\$ 134,650	\$ 487,984	\$ 622,634	\$ 1,178,946

The accompanying notes are an integral part of the financial statements.

NATIONAL WASP WWII MUSEUM, INC.
Sweetwater, Texas

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 806,785	\$ 325,121
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	86,040	79,805
Loss on disposal of assets	-	34,395
Forgiveness of Paycheck Protection Program (PPP) loan	(45,572)	-
(Increase) Decrease in operating assets:		
Accounts receivable	3,601	(1,056)
Inventory	11,825	(3,407)
Prepaid expenses and other current assets	(39,897)	6,299
Increase in operating liabilities:		
Accounts payable and accrued liabilities	283,896	24,400
Proceeds from Paycheck Protection Program (PPP)	45,571	-
	<u>1,152,249</u>	<u>465,557</u>
Net Cash Provided by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(976,678)	(227,193)
	<u>(976,678)</u>	<u>(227,193)</u>
Net Cash Used in Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	70,075	-
Payments on note payable	(19,975)	-
	<u>50,100</u>	<u>-</u>
Net Cash Used by Financing Activities		
Net Increase in Cash and Cash Equivalents	225,671	238,364
Cash and Cash Equivalents at Beginning of Year	692,808	454,444
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 918,479	\$ 692,808

The accompanying notes are an integral part of the financial statements.

NATIONAL WASP WWII MUSEUM, INC.
Sweetwater, Texas

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1: STATEMENT OF ORGANIZATION AND PURPOSE

National WASP WWII Museum, Inc. (“the Museum”) is a non-profit organization formed in 2003 under the laws of the State of Texas. The Museum seeks to educate and inspire all generations with the story of the Women Air Force Service Pilots (WASP) – the first women to fly America’s military aircraft – women who forever changed the role of women in aviation.

The Museum is located at Avenger Field in Sweetwater, Texas, where many of the WASP were trained during World War II. The Museum hosts Homecoming each year for WASP and the general public, and also recognizes Women in Aviation Day and produces educational seminars. Donors are former WASP and their family throughout the United States, as well as members of the aviation community, the military, and local citizens. The Museum is supported through a national fundraising effort as well as strong local support.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Museum conform to accounting principles generally accepted in the United States of America. Policies and practices which materially affect the determination of financial position are summarized as follows:

Method of Accounting

National WASP WWII Museum, Inc. uses the accrual method of accounting for support, revenues, and expenses. Revenues and support are recognized when the right to receive them occurs. Expenses are recognized when incurred.

Financial Statement Presentation

The Museum has adopted ASC 958-210, *Financial Statements of Not-for-Profit Organizations*. ASC 958-210 requires the Museum to classify its net assets based on the existence or absence of donor imposed restrictions. These classifications of net assets are described as follows:

Net Assets Without Donor Restrictions - All resources over which the governing board has discretionary control.

Net Assets With Donor Restrictions - Resources that have donor imposed restrictions that permit the Museum to expend the assets as specified and are satisfied either by passage of time or by actions of the Museum and resources that include a donor-imposed restriction that stipulates resources be maintained permanently but permits the Museum to use or expand part or all of the income (or other economic benefit) derived from the donated assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Museum considers any short-term investment convertible to cash within three months or less with little or no change in the principal amount to be a cash equivalent. Board designated cash is included as cash and cash equivalents for purposes of the statements of cash flows.

Inventory

Inventory consists of items in the Museum store, as well as gifts to be given to donors held by third parties, and are stated at the lower of cost or net realizable value, determined by the first-in, first-out method.

Collections

The Museum's collections are made up of artifacts of historical significance and art objects that are held for educational, research, scientific, and curatorial purposes. Each of the items is cataloged, preserved, and cared for to maintain condition. Activities verifying their existence and assessing their condition are performed continuously, except for archived items, which are held in climate-controlled storage.

The collections, which were acquired through purchases and contributions since the Museum's inception, are recorded at cost if purchased, and at market value if contributed. Proceeds from de-accessions or insurance recoveries are reflected as increases in the appropriate net asset classes. Collections are not depreciated.

Revenue Recognition for Contributions

The Museum receives contributions to support operating activities, endowments and capital projects. These contributions and grants can be from individuals, foundations, corporations, trusts or government agencies. The Museum records contributions receivable, net of allowances for estimated uncollectable amounts, when there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. The Museum's government grants that are non-exchange transactions are recorded once all conditions are met. Government contributions receivable are recorded in government receivables. All other contributions are recorded in contributions receivable. The allowance for doubtful accounts is determined by the age of the balance, historical collection rates, and specific identification of uncollectible accounts. Uncollectible contributions receivable are charged to the allowance. An expense is recorded at the time the allowance is adjusted. Conditional promises to give are recognized only when the conditions on which they depend are substantially met.

Revenue Recognition from Exchange Transactions

The Museum has multiple revenue streams that are accounted for as exchange transactions including membership fees, store sales, and fundraising event income.

Due to the Museum's performance obligations relate to contracts with a duration of less than one year, the Museum has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), *Revenue from Contracts with Customers*, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Membership Dues and Fees

Memberships are sold at eight different levels. In exchange, all members receive free entrance into member events, excluding Homecoming. Members also receive variable discounts on retail purchases and event rentals based on level of membership. Members joining at \$1,500 and up may choose to receive public recognition on the Museum's website, in written materials, and on the Museum's gift store monitor.

Store Sales

Store sales consist of the sale of merchandise relating to Museum memorabilia, collection items, and books. The sale of each individual item is recorded at the point of sale, the point at which the performance obligation for each individual item sold is met. Returns are acceptable for thirty (30) days. Returns are infrequent and insubstantial to the financial statements. Store merchandise is priced as marked or labeled.

Special Events

Special events revenue occurs from rental of the Museum space, as well as a yearly fundraising event consisting of live music, food and games. The Museum will be rented for events varying from parties to fundraisers. A 50% deposit is required to hold a reservation and the balance is paid within one week of the event.

Property and Equipment

Property and equipment are stated at historical cost if purchased and fair value if contributed, net of accumulated depreciation. Depreciation is calculated using the straight-line method over useful lives of ten to fifteen years for displays, furniture, and equipment, and forty years for improvements. Maintenance and repairs are charged to income, whereas additions and improvements are capitalized. The cost of assets which are sold or retired and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income. The Museum does not have a policy for implying time restrictions on contributions of long-lived assets.

Tax Exempt Status

The Museum has been granted tax exempt status by the Internal Revenue Service under Code Section 501(c)(3). Accordingly, there is no provision for Federal income tax or tax related items.

Management evaluated the Museum's tax positions and concluded that the Museum had taken no uncertain tax positions that require adjustment to financial statements and therefore no adjustments have been included in the financial statements for 2020 or 2019. With few exceptions, the Museum is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2017.

Volunteer Services and In-Kind Revenue

The Museum records in-kind revenue and expense for volunteer services for internal reporting purposes. The value of contributed time that is susceptible to objective measurement or valuation is included in the financial statements; otherwise, the value of contributed time is not reflected in the financial statements. In-kind revenue from donations of time, equipment and other noncash items totaled \$15,000 and \$10,642 for the years ended December 31, 2020 and 2019, respectively.

Advertising Costs

Advertising costs are expensed in the year they are incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

The Museum has evaluated subsequent events through July 15, 2021, the date the financial statements were available to be issued.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (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 period. Actual results could differ from those estimates.

Reclassifications

Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year change in net assets or net assets at year end.

Recent Accounting Pronouncements

Not Adopted

ASU 2016-02

The FASB finalized the standard on leases in ASU 2016-02 *Leases* in February 2016. This update was to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The core principle is that the lessee should recognize the assets and liabilities that arise from leases. All leases create an asset and a liability for the lessee and therefore recognition of those lease assets and lease liabilities represent an improvement over previous GAAP. Under the guidance a lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Additional guidelines for finance leases, operating leases and lessors is included in the guidance. The amendments are effective for fiscal years beginning after December 15, 2021.

ASU 2019-03

In March 2019 the FASB issued ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*. This update will align the definitions used in the American Alliance of Museums (AAM) Code of Ethics for Museums with the definition in the FASB Accounting Standards Codification. The main provisions of the update is to modify the definition of the term collections and require that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned. If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care. The amendments in this update improve GAAP because they eliminate the diversity in practice that exists today between the applications of the ASU definition compared with the definition that many entities use for accreditation purposes. In addition, using proceeds from deaccessioned collection items toward direct care better aligns with many entities' missions to specifically maintain their collections. The amendments are effective for fiscal years beginning after December 15, 2019. This ASU is not expected to have a significant impact on the Museum's financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force) and the American Institute of Certified Public Accountants did not or are not believed by management to have a material impact on the Museum's present or future financial statements.

NOTE 3: LIQUIDITY AND AVAILABILITY

The Museum strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds.

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

Financial assets at year-end:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 918,480	\$ 692,808
Fundraising Strategies Inc. held cash included in other assets	23,028	18,243
Accounts receivable	<u>4,107</u>	<u>7,708</u>
Total financial assets	945,615	718,759
Less amount not available to be used within one year:		
Donor restricted net assets	<u>(205,000)</u>	<u>(294,746)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 740,615</u>	<u>\$ 424,013</u>

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31,:

	<u>2020</u>	<u>2019</u>
Displays and artifacts	\$ 297,915	\$ 170,915
Hangar improvements	3,214,057	3,126,215
Furniture and fixtures	14,417	13,702
Office machinery and equipment	12,656	5,183
Land	230,000	230,000
Construction in progress – expansion project	<u>906,393</u>	<u>152,745</u>
	4,675,438	3,698,760
Less: accumulated depreciation	<u>(347,971)</u>	<u>(261,931)</u>
Net property and equipment	<u>\$ 4,327,467</u>	<u>\$ 3,436,829</u>

Depreciation expense for the years ended December 31, 2020 and 2019 totaled \$86,040 and \$79,805, respectively.

NOTE 5: NOTES PAYABLE

Long-term debt obligations at December 31, consist of:

	<u>2020</u>	<u>2019</u>
Unsecured note payable to First Financial Bank dated February 3, 2020, payable in monthly installments of \$1,434 including interest of 4.75%; maturing February 3, 2024.	\$ <u>50,100</u>	\$ <u>-</u>
	50,100	-
Less current portion	<u>(12,009)</u>	<u>-</u>
LONG-TERM PORTION	\$ <u><u>38,091</u></u>	\$ <u><u>-</u></u>

Principal payments required for long-term debt for years ending December 31, 2021, 2022, 2023 and 2024 are \$12,009, \$15,738, \$16,503 and \$5,850, respectively.

The Museum obtained a \$1,000,000 credit facility with a local financial institution on December 11, 2020. The credit facility is available to provide line of credit advances and matures on June 11, 2021. There were no line of credit advances during 2020. The credit facility is secured by a Deed of Trust dated December 11, 2020, on real property. The loan was renewed on June 11, 2021 with a maturity date of June 11, 2031 with monthly payments of \$10,128 based on a variable interest rate equal to the Wall Street Journal prime rate.

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of December 31:

	<u>2020</u>	<u>2019</u>
Museum expansion	\$ <u>205,000</u>	\$ <u>294,746</u>
Total net assets with donor restrictions	<u>\$ 205,000</u>	<u>\$ 294,746</u>

NOTE 7: CONCENTRATION OF RISK

The Museum maintains cash balances at financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times during the year, the Museum may have balances in excess of insured limits.

A national fundraising campaign is undertaken annually on behalf of the Museum by a third-party fundraising firm. Contributions through this campaign for the years ended December 31, 2020, and 2019 amounted to \$1,447,595 and \$1,238,362, respectively, which represents 68% and 80% of total revenues, respectively.

NOTE 8: ALLOCATION OF JOINT COSTS

The Museum conducted direct mail campaigns that included requests for contributions, as well as program and management and general components. The costs of conducting this activity for the years ended December 31, 2020 and 2019 included joint costs totaling \$767,594 and \$662,631, respectively, which are not specifically attributable to components of the activity (joint costs). These joint costs were allocated as follows:

	<u>2020</u>	<u>2019</u>
Program	\$ 272,621	\$ 101,870
Fundraising	471,934	543,641
Management and general	<u>23,039</u>	<u>17,120</u>
Total joint costs	<u>\$ 767,594</u>	<u>\$ 662,631</u>

NOTE 9: CHARITABLE TRUST

The TSTC Foundation held endowment funds as of December 31, 2020 and 2019 totaling approximately \$54,246 and \$66,682, respectively, for the benefit of the Museum. The WASP Charlyne Creger Endowment was created in 2003 for the purpose of providing interest annually to support the Museum. In accordance with ASC 958-605/SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization of Charitable Trust that Raises or Holds Contributions for Others*, contributions given directly to TSTC Foundation on behalf of the Museum are not recorded in the Museum's financial statements due to TSTC Foundation receiving variance power from the donor. Distributions from the fund are recorded as unrestricted contributions in the year they are received and are utilized for operations of the Museum.

NOTE 10: RELATED PARTY TRANSACTIONS

The project management company selected for the expansion project is owned by a Board member of the Museum and is considered to be a related party. Payments to the project management company totaled \$0 and \$65,474 for the years ended December 31, 2020, and 2019, respectively. The Museum changed project management companies during 2019, resulting in a loss on the disposal of the fees in the amount of \$34,395.

The Museum utilized a vendor owned and operated by an employee of the Museum. Payments to the vendor totaled \$724 and \$5,046 for the years ended December 31, 2020, and 2019 respectively.

The spouse of an employee performed miscellaneous maintenance work for the Museum and was paid \$218 during the year ended December 31, 2020. The spouse of a different employee purchased materials for the gift shop and was reimbursed \$3,627 during the year ended December 31, 2020.

NOTE 11: FUNCTIONALIZED AND GRANT EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, advertising and promotions, office expense, insurance, printing and publication, postage and shipping, professional fundraising fees, professional fees, telephone, information technology and computers, donor gifts, and miscellaneous, which are allocated on the basis of estimates of time and effort, or direct identification.

Direct grant expenses totaled \$0 and \$13,826 for the year ended December 31, 2020 and 2019, respectively. Additionally, \$0 and \$6,598 of other expenses including salaries were considered to be grant expenses.

NOTE 12: COMMITMENTS

The Museum entered into a construction agreement during 2020 with a regional construction company. As of December 31, 2020 the amount outstanding related to this commitment totaled \$921,443. The expansion project was completed in May 2021.

NOTE 13: PAYCHECK PROTECTION PROGRAM

The Museum received an advancement of \$45,572 from First Financial Bank on April 10, 2020 as part of the Paycheck Protection Program (PPP). The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers employed. The U.S. Small Business Administration (SBA) will forgive loans if all employees retention criteria are met, and the funds are used for eligible expenses. The loan program part of the CARES Act is to provide relief for American workers and small businesses.

Borrowers may be eligible for loan forgiveness if the funds were used for eligible payroll costs, payments on business mortgage interest payments, rent or utilized during either the 8 or 24 week period after disbursement. A borrower can apply for forgiveness once it has used all loan proceeds for which the borrower is requesting for forgiveness. Borrowers can apply for forgiveness any time up to the maturity date of the loan.

The Museum utilized all \$45,572 of the advance prior to December 31, 2020. The Museum received forgiveness approval on December 17, 2020.

NOTE 14: SUBSEQUENT EVENTS

A hangar roof was totaled by a hailstorm during the Spring of 2021. An insurance claim has been filed but proceeds from the claim have not yet been determined. It is not expected that the Museum will incur any monetary loss from the damage.

The Museum entered into an agreement for exhibit development with a company during 2021. The commitment is expected to total more than \$450,000 to be paid in 2021 and 2022.

The Museum has been named the beneficiary of an estate. The estate is currently in contest and therefore no receivable has been recorded.

NOTE 15: RISKS AND UNCERTAINTIES

The long-term extent of the impact of the COVID-19 pandemic on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Corporation's employees, suppliers, and vendors all of which are uncertain and cannot be predicted.