



NATIONAL WASP WWII MUSEUM, INC.

*FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT*

December 31, 2021 and 2020

NATIONAL WASP WWII MUSEUM, INC.

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December 31, 2021 and 2020

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October 14, 2022

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

Independent Auditor's Report

Opinion

We have audited the financial statements of National WASP WWII Museum, Inc. (a non-profit organization) which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statement of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of National WASP WWII Museum, Inc. (the "Museum") as of December 31, 2021 and, 2020, and the changes in net assets and their 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Museum, and have fulfilled 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 Museum'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 Museum'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.

Condley and Company, L.L.P.

Certified Public Accountants

NATIONAL WASP WWII MUSEUM, INC.
STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	December 31,	
	2021	2020
Current Assets:		
Cash and cash equivalents	\$ 848,862	\$ 918,480
Accounts receivable	5,614	4,107
Prepaid expenses and other current assets	79,268	64,146
Inventory	43,431	29,833
	977,175	1,016,566
Property, plant and equipment, net of accumulated depreciation	5,548,849	4,327,467
TOTAL ASSETS	\$ 6,526,024	\$ 5,344,033
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 73,143	\$ 361,966
Current portion of note payable	85,204	12,009
	158,347	373,975
Long-term portion of note payable	873,768	38,091
Total Liabilities	1,032,115	412,066
Net Assets:		
Without donor restrictions	5,482,794	4,726,967
With donor restrictions	11,115	205,000
	5,493,909	4,931,967
TOTAL LIABILITIES AND NET ASSETS	\$ 6,526,024	\$ 5,344,033

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

NATIONAL WASP WWII MUSEUM, INC.
STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES:			
Support:			
Contributions	\$ 1,874,118	\$ 391,594	\$ 2,265,712
Other revenues	<u>686</u>	<u> </u>	<u>686</u>
Total Support	1,874,804	391,594	2,266,398
Other Operating Revenues:			
Memberships	70,170	<u> </u>	70,170
Museum store sales	93,153	<u> </u>	93,153
Less: cost of goods sold	(54,440)	<u> </u>	(54,440)
Special events	26,715	<u> </u>	26,715
Less: special events costs	<u>(48,858)</u>	<u> </u>	<u>(48,858)</u>
Total Other Operating Revenues	86,740	-	86,740
Net assets released from restriction	<u>585,479</u>	<u>(585,479)</u>	<u>-</u>
	585,479	(585,479)	-
Total Revenues	<u>2,547,023</u>	<u>(193,885)</u>	<u>2,353,138</u>
EXPENSES:			
Program services	924,071	<u> </u>	924,071
General and administrative	178,709	<u> </u>	178,709
Fundraising expenses	<u>668,333</u>	<u> </u>	<u>668,333</u>
Total Expenses	<u>1,771,113</u>	<u>-</u>	<u>1,771,113</u>
Excess of Revenues Over Expenses	775,910	(193,885)	582,025
Non-Operating Revenues (Expenses):			
Interest expense	(21,552)	<u> </u>	(21,552)
Other Income	<u>1,469</u>	<u> </u>	<u>1,469</u>
Total Non-Operating Expenses	<u>(20,083)</u>	<u>-</u>	<u>(20,083)</u>
CHANGE IN NET ASSETS	755,827	(193,885)	561,942
Net Assets at Beginning of Year	<u>4,726,967</u>	<u>205,000</u>	<u>4,931,967</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,482,794</u>	<u>\$ 11,115</u>	<u>\$ 5,493,909</u>

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

NATIONAL WASP WWII MUSEUM, INC.
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>1,000</u>
Total Support	1,112,096	869,539	1,981,635
Other Operating Revenues:			
Memberships	50,945		50,945
Museum store sales	52,133		52,133
Less: cost of goods sold	(22,539)		(22,539)
Special events	800		800
Less: special events costs	<u>(4,735)</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>	-
	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		644,911
General and administrative	139,829		139,829
Fundraising expenses	<u>509,655</u>		<u>509,655</u>
Total Expenses	<u>1,294,395</u>	-	<u>1,294,395</u>
Excess (Defecit) of Revenues Over Expenses	853,590	(89,746)	763,844
Non-Operating Revenues (Expenses):			
Net investment loss	(185)		(185)
Interest expense	(2,446)		(2,446)
Paycheck Protection Program Forgiveness	<u>45,572</u>		<u>45,572</u>
Total Non-Operating Revenues	<u>42,941</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.
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021

	Supporting Services				Total Program and Supporting Services
	Program Services	General and Administrative	Fund Raising		
Salaries and employee benefits	\$ 202,725	101,363	33,787	\$ 135,150	\$ 337,875
Advertising and promotions	22,690		5,672	5,672	28,362
Office expenses	14,235	2,485		2,485	16,720
Store cost of goods sold			54,440	54,440	54,440
Special events expense			48,876	48,876	48,876
Insurance	16,358	1,818		1,818	18,176
Printing and publications	135,468	9,518	232,166	241,684	377,152
Postage and shipping	149,140	10,553	257,777	268,330	417,470
Occupancy	67,607	7,512		7,512	75,119
Professional fundraising fees	43,563	2,942	78,103	81,045	124,608
Travel and meetings	7,926			-	7,926
Professional fees		25,856		25,856	25,856
Telephone	3,617	213	426	639	4,256
Information technology and computers	5,630	625		625	6,255
Depreciation	125,127	5,376		5,376	130,503
Donor gifts	35,147	2,210	58,838	61,048	96,195
Miscellaneous	94,838	8,238	1,564	9,802	104,640
Total expenses by function	924,071	178,709	771,649	950,358	1,874,429
Less expenses included with revenues on the statement of activities:					
Special events expense			(48,876)	(48,876)	(48,876)
Store cost of goods sold			(54,440)	(54,440)	(54,440)
Total expenses included in the expense section on the statement of activities	\$ 924,071	\$ 178,709	\$ 668,333	\$ 847,042	\$ 1,771,113

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

NATIONAL WASP WWII MUSEUM, INC.
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.
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 561,942	\$ 806,785
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	130,503	86,040
Forgiveness of Paycheck Protection Program (PPP) loan	-	(45,572)
(Increase) Decrease in operating assets:		
Accounts receivable	(1,507)	3,601
Inventory	(13,598)	11,825
Prepaid expenses and other current assets	(15,122)	(39,897)
Increase (Decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(288,823)	283,896
Proceeds from Paycheck Protection Program (PPP)	-	45,572
Net Cash Provided by Operating Activities	373,395	1,152,250
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(1,351,885)	(976,678)
Net Cash Used in Investing Activities	(1,351,885)	(976,678)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	1,000,000	70,075
Payments on note payable	(91,128)	(19,975)
Net Cash Provided by Financing Activities	908,872	50,100
Net Increase (Decrease) in Cash and Cash Equivalents	(69,618)	225,672
Cash and Cash Equivalents at Beginning of Year	918,480	692,808
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 848,862	\$ 918,480

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

NATIONAL WASP WWII MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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 families 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.

NATIONAL WASP WWII MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

Cash and Cash Equivalents

The Museum considers all liquid investments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes to be cash and cash equivalents.

The following table provides a reconciliation of cash and cash equivalents, and designated cash reported within the statement of financial position to the sum of the corresponding amounts within the statement of cash flows for the years ended December 31,:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 416,813	\$ 247,886
Cash and cash equivalents internally designated	<u>432,049</u>	<u>670,594</u>
	<u>\$ 848,862</u>	<u>\$ 918,480</u>

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.

NATIONAL WASP WWII MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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 accepted 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 the 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 2021 or 2020. With few exceptions, the Museum is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for three years prior to the most recent tax filing.

NATIONAL WASP WWII MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
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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 \$8,182 and \$15,000 for the years ended December 31, 2021 and 2020, 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 October 14, 2022, 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's financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year changes 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 represents 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

NATIONAL WASP WWII MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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 2020-07

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for the Museum's December 31, 2022, financial statements. The Museum is currently evaluating the impact of this new guidance on its 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>2021</u>	<u>2020</u>
Cash and cash equivalents, and designated cash	\$ 848,862	\$ 918,480
Fundraising Strategies Inc. held cash included in other assets	48,216	23,028
Accounts receivable	<u>5,614</u>	<u>4,107</u>
Total financial assets	902,692	945,615
Less amount not available to be used within one year:		
Donor restricted net assets	<u>(11,115)</u>	<u>(205,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>891,577</u>	\$ <u>740,615</u>

NATIONAL WASP WWII MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 4: PROPERTY AND EQUIPMENT

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

	2021	2020
Displays and artifacts	\$ 526,078	\$ 297,915
Hangar improvements	4,948,158	3,214,057
Furniture and fixtures	40,047	14,417
Office machinery and equipment	29,596	12,656
Land	230,000	230,000
Construction in progress – expansion project	253,446	906,393
	6,027,325	4,675,438
Less: accumulated depreciation	(478,476)	(347,971)
Net property and equipment	\$ 5,548,849	\$ 4,327,467

Depreciation expense for the years ended December 31, 2021 and 2020 totaled \$130,503 and \$86,040, respectively.

NOTE 5: ACCOUNTS RECEIVABLE

Accounts and contributions receivable consisted of the following at December 31 and January 1:

	January 1, 2020	December 31, 2020	December 31, 2021
Balance as of:	\$ <u>7,708</u>	\$ <u>4,107</u>	\$ <u>5,614</u>

NATIONAL WASP WWII MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 6: NOTES PAYABLE

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

	2021	2020
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.	\$ -	\$ 50,100
Note payable to First Financial Bank dated December 11, 2020, secured by real property at 210 Avenger Field Rd, Sweetwater, Tx. Payable in monthly installments of \$10,128 including interest of 3.95%; maturing June 11, 2031. The interest rate is based on the Prime Rate plus 0.7% and is subject to change based on the Prime Rate no more than once every 60 months.	958,972	-
	958,972	50,100
Less current portion	(85,204)	(12,009)
LONG-TERM PORTION	\$ 873,768	\$ 38,091

Principal payments required for long-term debt for years ending December 31, 2022, 2023, 2024, 2025, and 2026 until maturity are \$85,204, \$88,631, \$92,196, \$95,905, and \$597,036, respectively.

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Bridge Educational Center	\$ 11,115	\$ 205,000
Total net assets with donor restrictions	\$ 11,115	\$ 205,000

NOTE 8: 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, 2021, and 2020 amounted to \$1,761,445 and \$1,447,595, respectively, which represents 72% and 68% of total revenues, respectively.

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NOTE 9: 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, 2021 and 2020 included joint costs totaling \$1,035,803 and \$767,594, respectively, which are not specifically attributable to components of the activity (joint costs). These joint costs were allocated as follows:

	<u>2021</u>		<u>2020</u>
Program	\$ 362,112	\$	272,621
Fundraising	649,229		471,934
Management and general	<u>24,462</u>		<u>23,039</u>
Total joint costs	\$ <u>1,035,803</u>	\$	<u>767,594</u>

NOTE 10: CHARITABLE TRUST

The TSTC Foundation held endowment funds as of December 31, 2021 and 2020 totaling approximately \$55,091 and \$54,246, 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 11: RELATED PARTY TRANSACTIONS

The Museum utilized a vendor owned and operated by an employee of the Museum. Payments to the vendor totaled \$36 and \$724 for the years ended December 31, 2021, and 2020 respectively.

The spouse of an employee performed miscellaneous maintenance work for the Museum and was paid \$245 and \$218 for the years ended December 31, 2021, and 2020 respectively. The spouse of a different employee purchased materials for the gift shop and was reimbursed \$0 and \$3,627 for the years ended December 31, 2021, and 2020 respectively.

NOTE 12: 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 expenses, 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.

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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 employee 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 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: RISKS AND UNCERTAINTIES

The COVID-19 pandemic, starting in March 2020 in the United States, has created economic uncertainties that may impact future operations. The Museum does not expect any significant financial change due to the pandemic subsequent to year-end. The pandemic continues to cause supply chain delays and labor shortages which could negatively impact the Museum.