

National Navy UDT-SEAL Museum, Inc.

Financial Statements and Accountants' Review Report

December 31, 2013

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McAlpin Cavalcanti & Lewis

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT ON THE FINANCIAL STATEMENTS

To the Board of Directors
National Navy UDT-SEAL Museum, Inc.

We have reviewed the accompanying statement of assets, liabilities, and net assets - modified cash basis of National Navy UDT-SEAL Museum, Inc. ("the Museum"), as of December 31, 2013, and the related statements of revenues, expenses, and changes in net assets - modified cash basis, functional expenses - modified cash basis, and cash flows - modified cash basis for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting.



McAlpin Cavalcanti & Lewis, CPAs

July 18, 2014

Fort Pierce, Florida

National Navy UDT-SEAL Museum, Inc.
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis
December 31, 2013

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,096,162
Investments	14,388
Inventory	<u>111,584</u>
Total current assets	<u>1,222,134</u>
Property and Equipment	
Land	260,000
Plaques, Exhibits & Displays	1,569,617
Leasehold improvements	1,040,061
Buildings and improvements	175,000
Furniture and equipment	45,430
Work in progress	<u>10,000</u>
	3,100,108
Less accumulated depreciation	<u>(229,952)</u>
Net property and equipment	<u>2,870,156</u>
Other assets	
Loan costs, net of amortization	<u>2,479</u>
Total assets	<u>\$ 4,094,769</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Credit card liabilities	\$ 31,272
Payroll liabilities	2,228
Sales tax payable	<u>1,559</u>
Total liabilities	<u>35,059</u>
Net Assets	
Unrestricted	
Unrestricted	3,428,891
Board designated endowment fund	195,819
Temporarily restricted	<u>435,000</u>
Total net assets	<u>4,059,710</u>
Total liabilities and net assets	<u>\$ 4,094,769</u>

National Navy UDT-SEAL Museum, Inc.

Statement of Revenues, Expenses, and Changes in Net Assets - Modified Cash Basis
Year ended December 31, 2013

PUBLIC SUPPORT AND REVENUE	
Fundraising, net direct costs	\$ 410,564
Government grants	337,611
Admissions	232,820
Contributions	226,276
Ship store, net direct costs	125,587
Memberships	42,000
Gain on investments	2,729
Interest income	972
Gain (loss) on disposal of assets	<u>(470)</u>
Total public support and revenue	<u>1,378,089</u>
 EXPENSES	
Program Services	
Operations	573,838
Supporting Services	
General and administrative	92,823
Fundraising	<u>49,626</u>
Total expenses	<u>716,287</u>
Change in net assets	661,802
Net assets, beginning of year	<u>3,397,908</u>
Net assets, end of year	<u>\$ 4,059,710</u>

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National Navy UDT-SEAL Museum, Inc.
Statement of Functional Expenses - Modified Cash Basis
Year ended December 31, 2013

	Program Services	Supporting Services		Total
		General & Administrative	Fundraising	
Salaries and wages	\$ 214,282	\$ 73,385	\$ 5,871	\$ 293,538
Marketing and promotion	27,753	-	27,753	55,506
Repairs and maintenance	45,853	-	-	45,853
FITH magazine	29,289	-	-	29,289
Payroll taxes	17,185	5,885	471	23,541
Travel	12,072	-	10,992	23,064
Office	18,208	-	759	18,967
Supplies	9,619	4,810	1,603	16,032
Artifact maintenance	15,349	-	-	15,349
Bank charges	15,057	-	-	15,057
Utilities	14,698	-	-	14,698
Insurance	14,647	-	-	14,647
Relocation	13,695	-	-	13,695
Professional fees	13,019	-	-	13,019
Other	6,825	3,413	1,138	11,376
Recognition	6,230	3,116	1,039	10,385
Telephone	9,156	-	-	9,156
Equipment rent	4,013	2,214	-	6,227
Interest	5,870	-	-	5,870
Dues and subscriptions	2,818	-	-	2,818
Amortization	21	-	-	21
Total expenses before depreciation	<u>495,659</u>	<u>92,823</u>	<u>49,626</u>	<u>638,108</u>
Depreciation	<u>78,179</u>	<u>-</u>	<u>-</u>	<u>78,179</u>
Total expenses	<u>\$ 573,838</u>	<u>\$ 92,823</u>	<u>\$ 49,626</u>	<u>\$ 716,287</u>

National Navy UDT - SEAL Museum, Inc.

Statement of Cash Flows - Modified Cash Basis

Year ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 661,802
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	78,179
Amortization	21
Changes in assets and liabilities:	
Increase in inventory	(30,981)
Increase in current liabilities	34,206
	<hr/>
Net cash provided by operating activities	743,227

CASH FLOWS FROM FINANCING ACTIVITIES

Loan repayment	(233,427)
Loan costs	(2,500)
	<hr/>
Net cash used in financing activities	(235,927)

CASH FLOWS FROM INVESTING ACTIVITIES

Capital purchases	(79,043)
	<hr/>
Net cash used in investing activities	(79,043)

INCREASE IN CASH	428,257
CASH, beginning of year	<hr/> 667,905
CASH, end of year	<hr/> <hr/> \$ 1,096,162

National Navy UDT- SEAL Museum, Inc.
Notes to Financial Statements
December 31, 2013

NOTE A - Organization and Summary of Significant Accounting Policies

Organization and Nature of Activities

The National Navy UDT-SEAL Museum “the Museum” is the only museum dedicated solely to preserving the history and heritage of the Navy SEALs and their predecessors, including Naval Combat Demolition Units, Office of Strategic Services Maritime Units, Amphibious Scouts and Raiders and Underwater Demolition Teams. Located in Fort Pierce, Florida the birthplace of the Navy Frogman, the Museum promotes public education by providing the opportunity to explore the history of Naval Special Warfare. We honor our fallen on the black granite walls of the Navy SEAL Memorial housed on the Museum grounds while caring for our families through the Trident House and Navy SEAL Museum Scholarship Fund.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis differ from generally accepted accounting principles primarily because the Museum has not recognized receivables for dues and other revenues, accounts payable to vendors, and deferred revenues, and their related effects on the change in net assets. Financial transactions are recorded when the actual cash transactions occur irrespective of when revenue is earned or expense obligations are incurred.

Cash Flows

The Museum presents its cash flows using the indirect method. Cash consists of cash and cash equivalents held at financial institutions. The Museum considers highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Donated Services

A substantial number of volunteers as well as board members donate a significant amount of their time to the Museum for program services. No amounts for these services have been recognized in the statement of revenues, expenses and changes in net assets – modified cash basis because the criteria for recognition have not been met.

Admission Fee

The Museum is open to the general public for historical and educational purposes. A fee is charged for admission to the Museum buildings, but not the grounds of the Museum.

Inventory

Inventory consists of merchandise available for sale at the Museum Store and on the website. In addition, certain other items not available for sale, but utilized in the fund raising efforts are also

National Navy UDT- SEAL Museum, Inc.
Notes to Financial Statements
December 31, 2013

inventoried until committed. All inventories are valued at the lower of first-in, first-out cost or market.

Income Taxes

The Museum is a non-profit entity exempt from federal and state income tax under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income tax is made in these financial statements. Years subject to examination by taxing authorities are 2009 to 2012. The Museum is not classified as a private foundation.

The Museum is required to determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. A tax position that meets the more likely than not recognition threshold is measured to determine the amount of expenses or benefit to recognize in the financial statements. The Museum has concluded that there are no significant uncertain tax positions requiring recognition in the financial statements.

Property and Equipment

Property and equipment are recorded at cost or at their estimated fair value at time of gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Both the Land and Building reflected in the financial statements have been restricted as to their use and limits the Museum's ability to sell the assets for a specific time in the future. Assets loaned to the Museum are not recorded in the financial statements. Property and equipment greater than \$1,000 are depreciated using the straight-line method, over useful lives ranging from three to thirty nine years. Expenditures for repairs and maintenance are charged to expense as incurred.

Functional Allocation of Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the statement of revenues, expenses and changes in net assets – modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - Concentration of Credit Risk

The Museum maintains cash balances in two financial institutions located in Florida. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000, and

National Navy UDT- SEAL Museum, Inc.
Notes to Financial Statements
December 31, 2013

during the year, the balances may fluctuate above and below this amount. At December 31, 2013, the Museum had an uninsured cash balance of \$634,675. Management believes that the Museum is not exposed to any significant credit risk related to these accounts.

NOTE C – Leases

The Museum leases one copier, a point of sale system and a postage machine under five and two year operating leases expiring in July 2016, April 2014, and July 2014 totaling \$394, \$268 and \$44 per month, respectively.

The minimum annual lease payments are as follows at December 31, 2013:

2014	\$ 6,062
2015	4,728
2016	<u>2,758</u>
	\$ 8,430

Rent expense under these leases totaled \$ 8,630.

The Museum leases the land and certain of the buildings from the State of Florida through a lease with St. Lucie County as the administrator and expires October 31, 2044. The lease requires the Museum to maintain the buildings in lieu of rent.

NOTE D – Construction Loans

The Museum paid off a construction loan during May of 2013 in the amount of \$233,427. On May 30th, 2014 the Museum established a new line of credit with TD Bank in the amount of \$500,000 for future construction projects.

NOTE E - Contingencies

The Museum may be subject to various claims, legal proceedings and investigations covering a wide range of matters that arise in the ordinary course of business. In the opinion of management all such matters are adequately covered in insurance, and if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect of the financial position or results of operation of the Museum if disposed of unfavorably. As of the date of these statements there were no known contingencies.

National Navy UDT- SEAL Museum, Inc.
Notes to Financial Statements
December 31, 2013

NOTE F – Investments

Investments consist of equities held in a brokerage account. Investments are presented at fair market value in the financial statements. The cost of the equities and fair market value are \$12,189 and \$14,388 respectively, as of December 31, 2013. An unrealized gain of \$2,199 is reported in the statement of revenues, expenses, and changes in net assets – modified cash basis.

NOTE G - Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through July 18, 2014, the date on which the financial statements were available to be issued.