

**UDT-SEAL Museum Association, Inc.**

Financial Statements

December 31, 2014

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# McAlpin Cavalcanti & Lewis

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of UDT-SEAL Museum Association, Inc. ("the Museum"), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2014, and the related statement of support, 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, 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 the modified cash basis of accounting as described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from 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 purpose 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 assets, liabilities, and net assets of UDT-SEAL Museum Association, Inc. as of December 31, 2014, and its revenues, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note A.

### **Basis of Accounting**

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*McAlpin Cavalcanti & Lewis*

McAlpin Cavalcanti & Lewis, CPAs

August 18, 2015

Fort Pierce, Florida

**UDT-SEAL Museum Association, Inc.**  
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis  
December 31, 2014

<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 946,752
Investments	148,653
Inventory	<u>101,173</u>
Total current assets	<u>1,196,578</u>
Property and Equipment	
Land	261,800
Buildings and improvements	190,340
Plaques, Exhibits & Displays	1,585,112
Leasehold improvements	1,217,095
Furniture and equipment	88,598
Work in progress	<u>908,716</u>
	4,251,661
Less accumulated depreciation	<u>(329,041)</u>
Net property and equipment	<u>3,922,620</u>
Other assets	
Loan costs, net of amortization	<u>8,257</u>
Total assets	<u><u>\$ 5,127,455</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
Liabilities	
Credit card liabilities	\$ 15,688
Other liabilities	1,754
Deferred revenue	<u>110,000</u>
Total liabilities	<u>127,442</u>
Net Assets	
Unrestricted	
Undesignated	4,757,916
Board designated endowment fund	<u>242,097</u>
Total net assets	<u>5,000,013</u>
Total liabilities and net assets	<u><u>\$ 5,127,455</u></u>

## UDT-SEAL Museum Association, Inc.

Statement of Support, Revenues, Expenses, and Changes in Net Assets - Modified Cash Basis  
Year ended December 31, 2014

### PUBLIC SUPPORT AND REVENUES

	<u>Total</u>
Fundraising, net direct costs	\$ 813,003
Admissions	349,020
Contributions	318,092
Ship store, net direct costs	157,826
Government grants	153,000
Memberships	42,400
Gain on investments	5,573
Other	3,426
Interest and dividend income	<u>2,381</u>
 Total public support and revenue	 <u>1,844,721</u>

### EXPENSES

Program Services	
Operations	653,936
Supporting Services	
General and administrative	110,703
Fundraising	<u>139,779</u>
 Total expenses	 <u>904,418</u>
 Change in net assets	 940,303
 Net assets, beginning of year	 <u>4,059,710</u>
 Net assets, end of year	 <u><u>\$ 5,000,013</u></u>

**UDT-SEAL Museum Association, Inc.**  
Statement of Functional Expenses - Modified Cash Basis  
Year ended December 31, 2014

	Program Services	Supporting Services		Total
		General & Administrative	Fundraising	
Salaries and wages	\$ 252,198	\$ 90,843	\$ 45,000	\$ 388,041
Marketing and promotion	-	-	82,670	82,670
Repairs and maintenance	60,054	-	-	60,054
Scholarships	50,000	-	-	50,000
Payroll taxes	20,848	9,084	4,050	33,982
Bank charges	20,662	-	-	20,662
Office	18,115	1,208	805	20,128
Utilities	19,099	-	-	19,099
Insurance	17,998	-	-	17,998
Supplies	10,166	5,084	1,695	16,945
Artifact maintenance	13,969	-	-	13,969
Recognition	12,587	-	-	12,587
FITH magazine	12,515	-	-	12,515
Contributions	10,000	-	-	10,000
Other	9,391	-	-	9,391
Telephone	7,721	-	-	7,721
Equipment rent	6,697	-	-	6,697
Travel	-	634	5,559	6,193
Family support	5,858	-	-	5,858
Dues and subscriptions	3,900	-	-	3,900
Professional fees	-	3,850	-	3,850
Amortization	3,069	-	-	3,069
Total expenses before depreciation	<u>554,847</u>	<u>110,703</u>	<u>139,779</u>	<u>805,329</u>
Depreciation	<u>99,089</u>	<u>-</u>	<u>-</u>	<u>99,089</u>
Total expenses	<u>\$ 653,936</u>	<u>\$ 110,703</u>	<u>\$ 139,779</u>	<u>\$ 904,418</u>

**UDT - SEAL Museum Association, Inc.**

Statement of Cash Flows - Modified Cash Basis

Year ended December 31, 2014

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase in net assets	\$ 940,303
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	99,089
Amortization	3,069
Changes in assets and liabilities:	
Decrease in inventory	10,411
Increase in deferred revenue	110,000
Decrease in current liabilities	<u>(17,617)</u>
Net cash provided by operating activities	<u>1,145,255</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Stock purchases	(134,266)
Loan costs	<u>(8,846)</u>
Net cash used in financing activities	<u>(143,112)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Capital purchases	<u>(1,151,553)</u>
Net cash used in investing activities	<u>(1,151,553)</u>

**DECREASE IN CASH AND CASH EQUIVALENTS** (149,410)

**CASH AND CASH EQUIVALENTS, beginning of year** 1,096,162

**CASH AND CASH EQUIVALENTS, end of year** \$ 946,752



**UDT- SEAL Museum Association, Inc.**  
Notes to Financial Statements  
December 31, 2014

**NOTE A - Organization and Summary of Significant Accounting Policies**

**Organization and Nature of Activities**

The UDT-SEAL Museum Association, Inc. d/b/a 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 their related effects on the change in net assets.

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

**UDT- SEAL Museum Association, Inc.**  
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**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 2010 to 2013. The Museum is not classified as a private foundation.

**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. 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 during the year, the balances may fluctuate above and below this amount. At December 31, 2014, the Museum had an uninsured cash balance of \$496,263. Management believes that the Museum is not exposed to any significant credit risk related to these accounts.

**NOTE C – Leases**

The Museum leases a copier and a postage machine under five and three and a half year operating leases expiring in July 2016 and February 2016 totaling \$406 and \$44 per month, respectively.

**UDT- SEAL Museum Association, Inc.**  
Notes to Financial Statements  
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The minimum annual lease payments are as follows at December 31, 2014:

2015	\$ 5,396
2016	<u>2,930</u>
	\$ 8,326

Rent expense under these leases totaled \$5,440.

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 – Line of Credit**

On May 30<sup>th</sup>, 2014 the Museum established a new line of credit with TD Bank in the amount of \$500,000 for future construction projects. The Trident land and building is held as collateral. As of December 31, 2014 the line has not been utilized.

**NOTE E – Deferred Revenue**

During the fiscal year, the Museum received \$110,000 for a History & Heritage Archive Program that will be used to fund the preservation and sharing of documents to educate the public about the history of the Navy UDT/SEALS and their operations. Unexpended funds will be returned. Due to this criteria the funds are shown on the statement of assets, liabilities and net assets – modified cash as deferred revenue.

**NOTE F - 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.

**NOTE G – Investments**

Investments consist of equities held in a brokerage account. Investments are presented at fair market value in the financial statements.

**UDT- SEAL Museum Association, Inc.**  
Notes to Financial Statements  
December 31, 2014

**Investments, continued**

	<b>Fair Value</b>	<b>Cost</b>	<b>Unrealized gain (loss)</b>
Equities	\$ 148,653	142,686	5,966
	\$ 148,653	\$ 142,686	\$ 5,966

**NOTE H - Subsequent Events**

Management has evaluated events and transactions for potential recognition or disclosure through August 18, 2015, the date on which the financial statements were available to be issued.