

**UDT-SEAL Museum Association, Inc.  
ANNUAL FINANCIAL REPORT**

December 31, 2016

**UDT-SEAL Museum Association, Inc.  
ANNUAL FINANCIAL REPORT**

Fiscal Year Ended December 31, 2016

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## Report of Independent Auditors

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

### ***Report on the Financial Statements***

We have audited the accompanying statement of assets, liabilities and net assets – modified cash basis of UDT-SEAL Museum Association, Inc. (a nonprofit organization), as of December 31, 2016, and the related statements of support and revenues, expenses and changes in net assets – modified cash basis, changes in cash - modified cash basis and functional expenses - 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 described in Note 1; 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 the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 audits. 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 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 purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Fort Pierce / Stuart



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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of UDT-SEAL Museum Association, Inc. as of December 31, 2016, and its revenue collected and expenses paid during the year ended in accordance with the modified cash basis of accounting described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 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.

*Berger Toombs Elam  
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank  
Certified Public Accountants PL  
Fort Pierce, Florida

January 4, 2018

**UDT-SEAL Museum Association, Inc.**  
**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS**  
**December 31, 2016**

Assets

Current Assets

Cash and equivalents	\$ 700,761
Investments	891,471
Inventory	176,428
Total Current Assets	1,768,660

Fixed Assets

Land	261,800
Buildings and improvements	202,188
Plaques, exhibits and displays	3,283,279
Leasehold improvements	1,755,406
Furniture and equipment	188,999
Signage	72,238
Construction in progress	37,626
Less - accumulated depreciation	(625,238)
Total Fixed Assets	5,176,298

Other Assets

Loan costs, net of amortization (\$4,859)	6,487
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Total Assets	\$ 6,951,445
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Liabilities and Net Assets

Current Liabilities

Credit card payable	\$ 5,774
Other liabilities	8,704
Deferred revenues	15,965
Total Current Liabilities	30,443

Net Assets

Unrestricted	
Board designated endowment fund	460,521
Undesignated	6,460,481
Total Net Assets	6,921,002

Total Liabilities and Net Assets	\$ 6,951,445
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The accompanying notes to financial statements are an integral part of this statement.

**UDT-SEAL Museum Association, Inc.**  
**STATEMENT OF SUPPORT AND REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS**  
**For the Year Ended December 31, 2016**

	<u>Unrestricted</u>
Support and Revenues	
Support	
Contributions	\$ 613,395
Archival grant	39,643
Total Support	<u>653,038</u>
Revenues and Gains	
Fundraising, net of expenses (\$527,065)	599,635
Admissions	459,714
Ship store, net of expenses (\$336,307)	190,724
Memberships	49,555
Gain on securities	77,426
Investment income	38,066
Miscellaneous income	6,387
Total Revenues	<u>1,421,507</u>
Total Support and Revenues	<u>2,074,545</u>
Expenses and Losses	
Program Services	
Outreach to needy individuals/families	941,105
Support Services	
General administration	149,659
Fundraising	163,977
Total Expenses	<u>1,254,741</u>
Change in Net Assets before Loss	819,804
Loss on disposal of assets	<u>(5,737)</u>
Change in Net Assets	814,067
Net Assets - January 1, 2016	<u>6,106,935</u>
Net Assets - December 31, 2016	<u>\$ 6,921,002</u>

The accompanying notes to financial statements are an integral part of this statement.

**UDT-SEAL Museum Association, Inc.**  
**STATEMENT OF CHANGES IN CASH - MODIFIED CASH BASIS**  
**For the Year Ended December 31, 2016**

Cash Flows From Operating Activities

Increase in net assets	\$	814,067
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation		172,751
Amortization		885
Securities gains		(77,426)
Loss on disposal of assets		5,737
Increase in inventory		(66,266)
Increase in other liabilities		6,580
Decrease in credit cards payable		(982)
Decrease in deferred revenues		(39,643)
		815,703
Net Cash Provided by Operating Activities		
Cash Flows Used by Investing Activities		
Purchases of fixed assets		(656,891)
Proceeds from sale of assets		2,500
Purchases of marketable securities		(367,458)
		(1,021,849)
Net Cash Used by Investing Activities		
Net Decrease in Cash		(206,146)
Cash, January 1, 2016		906,907
Cash, December 31, 2016	\$	700,761

The accompanying notes to financial statements are an integral part of this statement.

**UDT-SEAL Museum Association, Inc.**  
**STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS**  
**For the Year Ended December 31, 2016**

	Program Services		Supporting Services		Total Expenses
	Outreach	General Administration	Fundraising		
Salaries and wages	\$ 332,672	\$ 84,889	\$ 41,297		\$ 458,858
Depreciation	172,751	-	-		172,751
Marketing and promotion	-	-	106,964		106,964
Insurance	62,422	28,810	4,802		96,034
Repairs and maintenance	52,898	-	-		52,898
Office	41,161	2,744	1,830		45,735
Contract Labor	29,797	7,604	3,699		41,100
Archival Digitization	39,643	-	-		39,643
Payroll taxes	26,182	6,681	3,250		36,113
Recognition	32,363	-	-		32,363
Family support	30,883	-	-		30,883
Utilities	27,332	-	-		27,332
Bank charges	25,625	-	-		25,625
Supplies	16,279	7,513	1,252		25,044
Artifact maintenance	9,901	-	-		9,901
Non taxable fringe benefits	7,115	1,816	883		9,814
FITH magazine	8,980	-	-		8,980
Telephone	8,409	-	-		8,409
Professional fees	-	8,028	-		8,028
Equipment rent	5,132	-	-		5,132
Scholarships	5,000	-	-		5,000
Dues and subscriptions	4,743	-	-		4,743
Other	1,817	689	-		2,506
Amortization	-	885	-		885
<b>Total Expenses</b>	<b>\$ 941,105</b>	<b>\$ 149,659</b>	<b>\$ 163,977</b>		<b>\$ 1,254,741</b>

The accompanying notes to financial statements are an integral part of this statement.



**UDT-SEAL Museum Association, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

UDT-SEAL Museum Association, Inc. d/b/a National Navy UDT-SEAL Museum ("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.

**Accounting Policies**

UDT-SEAL Museum Association, Inc.'s policy is to maintain its accounting records and prepare its financial statements on the modified basis of cash receipts and disbursements; consequently, certain revenues and the related assets are recognized when received rather than when earned and certain expenses and the related liabilities are recognized when paid rather than when the obligations are incurred.

**Financial Statement Presentation**

The financial statements are presented following the requirements of ASC 958 Financial Statements of Not-for-Profit Organizations. Under ASC 958, the Museum is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Estimates**

The preparation of financial statements in conformity with the modified cash basis of accounting 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.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Museum considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**UDT-SEAL Museum Association, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fixed Assets**

Property and equipment are recorded at cost if purchased and at fair market value at the date of donation, if donated. Equipment and improvements are capitalized if the cost is \$1,000 or greater and a useful life when acquired of more than one (1) year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed. Depreciation on all assets is computed using the straight line method over the estimated useful lives ranging from five to thirty-nine years.

**Historical Treasures**

The Museum has elected not to record the value of donated artifacts as the fair market value is not readily determinable. The Museum also displays certain artifacts on loan from the U.S. Government and other entities. All artifacts held by the Museum are inventoried and maintained as necessary. The artifacts held by the Museum relate to the history and heritage of the Navy SEALs and their predecessors, including, but not limited to, weaponry, transportation, and other symbolic objects from history and are integral to the Museum's operations and mission.

**Revenue Recognition**

In accordance with FASB ASC 958-605-15, *Revenue Recognition - Contributions Received*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

**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.

**Gifts-in-Kind Contributions**

The Museum periodically receives contributions in a form other than cash or investments. If the Museum receives a contribution of land, buildings or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of the gift, provided that the value of the asset and its estimated useful life meet the capitalization policy.

**UDT-SEAL Museum Association, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Allocation of Expenses**

The costs of providing the programs and other activities have been summarized on a functional basis in the statement of support, revenues, expenses and changes in net assets – modified cash basis. Accordingly, the Museum charges cost to programs and supporting services based on direct expenditures incurred. Expenses that are not directly identifiable with any other specific function are allocated based on evaluations of the related benefits.

**Advertising**

Advertising costs are generally expensed as incurred and totaled \$36,921 for the year ending December 31, 2016.

**Tax Status**

UDT-SEAL Museum Association, Inc. has qualified as a nonprofit organization, and is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the Museum are tax deductible to donors under Section 170 of the IRC. The Museum is not classified as a private foundation within the meaning of Section 509(a). The Museum's income tax return for fiscal year 2013, 2014, and 2015 remain open to examination by the Internal Revenue Service.

**Investments**

In accordance with the Museum's policy to maintain its accounting records and prepare its financial statements on the modified cash basis of accounting, investments are presented in the accompanying financial statements at cost rather than fair value.

**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 stated at cost using the average cost method of inventory.

**NOTE 2 – CASH**

At December 31, 2016, the Museum had deposits at various financial institutions with a carrying value of \$700,761, of which \$322,227 was not insured by the Federal Deposit Insurance Corporation. The Museum has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash.

**UDT-SEAL Museum Association, Inc.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 3 – INVESTMENTS**

Investments available-for-sale at December 31, 2016 consisted of the following:

	Cost	Fair Value
Equity securities	\$ 891,471	\$976,030

In accordance with the modified cash basis of accounting, investments are presented at cost in the accompanying financial statements. Fair market value was determined by the market price at year end.

Cash and securities held by brokerage institutions are insured by the Securities Investor Protection Corporation (SIPC) up to \$250,000 and \$500,000 respectively. The asset protection provided by the SIPC is not against losses from fluctuations in the value of the securities, but rather only if the brokerage firm ceases doing business. Investments subject to market risk of fluctuations in value at December 31, 2016 include \$891,471 (cost) in marketable securities.

**NOTE 4 – LEASES**

The Museum leases a copier and a postage machine under five and three and a half year operating leases expiring in July 2021 and September 2019 totaling \$499 and \$44 per month, respectively. Equipment rent expense for the year ended December 31, 2016 was \$5,132, all of which related directly to the non-cancelable operating leases. Future minimum lease payments by fiscal year are as follow:

Fiscal Year Ending December 31,	Copier
2017	\$ 6,512
2018	6,512
2019	6,381
2020	5,988
2021	3,493
Total minimum lease payments	\$ 28,886

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 5 – LINE OF CREDIT**

The Museum renewed its 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, 2016 the line has not been utilized.

**UDT-SEAL Museum Association, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 6 – DEFERRED REVENUE**

In 2014, 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. As a result of this criteria, the remaining funds are shown as deferred revenue on the statement of assets, liabilities, and net assets – modified cash basis. During the fiscal year ending December 31, 2016, \$39,643 was expended for the project.

**Note 7- Income Taxes**

The Organization has adopted the provisions of FASB ASC 740-10, *Uncertainty in Income Taxes*. Under this section, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. There was no impact to the Organization's financial statements as a result of the implementation of ASC 740-10. The Organization's income tax returns for years ending December 2013, 2014, and 2015 remain open to examination by the Internal Revenue Service.

**NOTE 8 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through January 4, 2018, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.