

**MICHIGAN AEROSPACE FOUNDATION, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013**

**MICHIGIAN AEROSPACE FOUNDATION, INC.
FOR THE YEAR ENDED DECEMBER 31, 2014 and 2013**

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Criss, Wilmarth & Parr, P.C.

Donald D. Criss, CPA
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Michigan Aerospace Foundation, Inc.
Ann Arbor, Michigan

We have audited the accompanying statements of financial position of Michigan Aerospace Foundation, Inc., (a nonprofit organization) which comprise the statement of financial position as of December 31, 2014 and 2013, and the related statements of activities 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.

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 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Michigan Aerospace Foundation, Inc., as of December 31, 2014 and 2013 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Criss, Wilmarth & Parr, P.C.
Certified Public Accountants

May 22, 2015

MICHIGAN AEROSPACE FOUNDATION, INC.
Statement of Financial Position
As of December 31, 2014 and 2013

ASSETS

| | 2014 | 2013 |
|--|---------------------|---------------------|
| Current Assets | | |
| Cash (Note 1) | \$ 1,960,560 | \$ 276,618 |
| Certificates of Deposit (Note 2) | 313,331 | 415,592 |
| Accounts Receivable | | 370 |
| Unconditional Pledges Receivable (Note 12) | 453,250 | 297,300 |
| Total Current Assets | 2,727,141 | 989,880 |
| Other Assets | | |
| Website Development (Note 1) | 8,838 | 8,838 |
| Software | 2,388 | 2,388 |
| Less Amortization of Website | (10,098) | (9,302) |
| Website Development (net of amortization) | 1,128 | 1,924 |
| Community Foundation (Note 9) | 25,000 | 25,000 |
| Investments (Note 3) | 26,128 | 51,934 |
| Total Other Assets | 26,128 | 78,858 |
| Total Assets | \$ 2,753,269 | \$ 1,068,738 |

LIABILITIES AND NET ASSETS

| | | |
|--|---------------------|---------------------|
| Current Liabilities | | |
| Accounts Payable | \$ 20,743 | \$ 23,592 |
| Total Current Liabilities | 20,743 | 23,592 |
| Total Liabilities | | |
| Net Assets and Equity | | |
| Unrestricted Assets | 1,563,462 | 745,402 |
| Temporarily Restricted Net Assets (Note 5) | 1,169,064 | 299,744 |
| Total Net Assets | 2,732,526 | 1,045,146 |
| Total Liabilities and Net Assets | \$ 2,753,269 | \$ 1,068,738 |

MICHIGAN AEROSPACE FOUNDATION, INC.
Statement of Activities
For the Year Ended December 31, 2014 and 2013

| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>TOTAL 2014</u> | <u>TOTAL 2013</u> |
|--|---------------------|-----------------------------------|-----------------------|-----------------------|
| Support, Gains and Other Revenues | | | | |
| Contributions | | | | |
| Individuals & Other Organizations (Notes 1, 5) | \$ 1,138,600 | | \$ 1,138,600 | \$ 438,973 |
| Grants | | 1,250,000 | 1,250,000 | 6,800 |
| Investment Income (Note 3) | 13,127 | | 13,127 | 1,934 |
| Interest Income | 1,870 | | 1,870 | 1,770 |
| Total Public Support | 1,153,597 | 1,250,000 | 2,403,597 | 449,477 |
| Other Revenues | | | | |
| Non Program Sales | 218 | | 218 | 5,106 |
| Total Other Revenues | 218 | | 218 | 5,106 |
| Total Support, Gains and Other Revenues | 1,153,815 | 1,250,000 | 2,403,815 | 454,583 |
| Expenses and Other Charges | | | | |
| Program Services: | | | | |
| Rebuild Air Museum (Notes 1, 7) | 118,299 | | 118,299 | 16,110 |
| Bomber Plant (Note 7) | | 81,136 | 81,136 | 52,731 |
| Grants to Other Organizations (Note 4) | 161,825 | | 161,825 | 155,977 |
| Total Program Services | 280,124 | 81,136 | 361,260 | 224,818 |
| Supporting Services: | | | | |
| General & Administrative | 205,915 | | 205,915 | 187,897 |
| Fundraising Costs (Note 8) | 149,260 | | 149,260 | 124,589 |
| Total Supporting Services | 355,175 | | 355,175 | 312,486 |
| Total Expenses & Other Charges | 635,299 | 81,136 | 716,435 | 537,304 |
| Change in Net Assets | 518,516 | 1,168,864 | 1,687,380 | (82,721) |
| Net Assets, Beginning of Year | 745,402 | 299,744 | 1,045,146 | 1,127,867 |
| Prior Period Adjustment (Note 10) | 299,544 | (299,544) | | |
| Net Assets, Beginning of Year | 1,044,946 | 200 | 1,045,146 | 1,127,867 |
| Net Assets, End of Year | \$ 1,563,462 | \$ 1,169,064 | \$ 2,732,526 | \$ 1,045,146 |

MICHIGAN AEROSPACE FOUNDATION, INC.
Statement of Cash Flows
For the Years Ended December 31, 2014 and 2013

| CASH FLOWS FROM OPERATING ACTIVITIES: | <u>2014</u> | <u>2013</u> |
|--|---------------------|-------------------|
| Change in Net Assets | \$ 1,687,380 | \$ (82,721) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Amortization | 796 | 464 |
| (Increase) Decrease in Pledges Receivables | (155,950) | 77,330 |
| (Decrease) in Accounts Receivable | 370 | |
| Increase (Decrease) in Accounts Payable | <u>(2,849)</u> | <u>17,381</u> |
| Net cash provided by operating activities | 1,529,747 | 12,454 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Investment in Software | | (2,388) |
| Transfers to Investment in Mutual Funds | 1,934 | (1,934) |
| Transfers (to) from Long Term Certificates of Deposit | <u>102,261</u> | <u>(1,755)</u> |
| Net Cash used by investing activities | <u>104,195</u> | <u>(6,077)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from sale of Mutual Funds | 100,000 | |
| Investment in Mutual Funds | <u>(50,000)</u> | <u>(50,000)</u> |
| Net Cash provided by financing activities | <u>50,000</u> | <u>(50,000)</u> |
| Net increase (decrease) in cash and cash equivalents | 1,683,942 | (43,623) |
| Cash and cash equivalents as of beginning of year | <u>276,618</u> | <u>320,241</u> |
| Cash and cash equivalents as of end of year | <u>\$ 1,960,560</u> | <u>\$ 276,618</u> |

MICHIGAN AEROSPACE FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2014 and 2013

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Organization was established to provide the fundraising activities for the development and expansion of an aerospace museum at Willow Run Airport, including renovation of the Willow Run Bomber Plant for future relocation of the museum. Michigan Aerospace Foundation, Inc. is a not-for-profit organization exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code.

Activities included in these financial statements are the general operating activities of the Organization.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, and accordingly, reflects all significant contribution receivables, payables and other liabilities.

Basis of Presentation

The Organization is required to report information regarding its assets, liabilities and net assets and support, revenue and expenses according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets result from donor restrictions to provide programs to assist low-to-moderate income families and specific projects relating to the rebuilding of the museum. The Organization has no permanently restricted net assets.

Donated Services

A significant portion of the Organization's functions is conducted by unpaid volunteer officers and committees. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization has received donated materials and services relating to construction of the new Museum. The donated materials and services are valued at \$0 and \$507 for the years ended December 31, 2014 and 2013, respectively and are included in contributions and expenses in the statement of activities.

MICHIGAN AEROSPACE FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2014 and 2013

NOTE 1 – CONTINUED

Cash and Cash Equivalents

All highly liquid debt instruments purchased with an original maturity of three months or less are considered to be cash equivalents. Cash and cash equivalents include the following:

| | <u>2014</u> | <u>2013</u> |
|----------------------------------|--------------------|-------------------|
| Cash | \$ 560,838 | \$ 245,966 |
| Cash-Temporarily Restricted | 1,168,864 | |
| Savings – Unrestricted | 230,658 | 30,452 |
| Savings – Temporarily Restricted | <u>200</u> | <u>200</u> |
| Total | <u>\$1,960,560</u> | <u>\$ 276,618</u> |

Unconditional Pledges Receivable

Pledges receivable are stated at the amount management expects to collect from outstanding balances. No provision for uncollectible amounts has been recorded as management believes the pledges are fully collectible. Conditional pledges are recognized when the conditions on which they depend are substantially met.

Property and Equipment

Property and equipment are stated at cost or fair value at date of donation. Depreciation or amortization is provided using the straight-line method over the estimated useful lives of the assets. Intangible software is amortized over three (3) years. Amortization expenses for the years ended December 31, 2014 and 2013 are \$796 and \$464, respectively.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Subsequent Events

The Association's management has evaluated events subsequent to December 31, 2014 through May 22, 2015, the date that these financial statements were first available to be issued, for possible accounting and reporting matters relevant to and to be included and disclosed in these financial statements. Management believes that the financial statements, as presented, are fairly reflective of such events.

MICHIGAN AEROSPACE FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2014 and 2013

NOTE 2 – CERTIFICATES OF DEPOSIT

Certificates of deposit totaling \$313,331 and \$415,592 at December 31, 2014 and 2013, respectively, are included in the accompanying financial statements. The certificates bear interest ranging from 0.30% to 0.50% (0.40% and 0.50% at December 31, 2013) and have maturities of twelve months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

NOTE 3 – MARKETABLE SECURITIES

The Organization, during the current and preceding fiscal year, received donated marketable securities to provide income for continued operations. Results of these investments are described in as follows:

At December 29, 2014 the marketable securities were sold and the funds transferred to the general cash account.

Realized gains and losses are determined on the basis of specific identification. For the years ended December 31, 2014 and 2013, sales proceeds and net realized and unrealized gains and losses on securities classified as available for sale were:

| | 2014 <u>Unrestricted</u> | 2013 <u>Unrestricted</u> |
|--|-----------------------------|-----------------------------|
| Net unrealized gains (losses) | \$ | \$ (394) |
| Other components of Investment return: | | |
| Dividend income | \$ 12,228 | 414 |
| Realized gains | 899 | |
| Capital gains | | <u>1,914</u> |
| Total Investment Income | <u>\$ 13,127</u> | <u>\$ 1,934</u> |

MICHIGAN AEROSPACE FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2014 and 2013

NOTE 4 – AFFILIATED ORGANIZATIONS

The Organization has an agreement of understanding with the Yankee Air Museum to provide fundraising for the planning and construction of the Museum.

As part of the Organization's fundraising efforts, money is donated for the rebuilding of the Museum. During 2014, the Board of Directors approved and paid grants of \$161,825 to the Yankee Air Museum. During 2013, the Board of Directors approved and paid a grant of \$155,977 to Yankee Air Museum.

NOTE 5 – TEMPORARY RESTRICTIONS ON NET ASSETS

At the end of December 2014 and 2013, the Organization had several contributions that were restricted to specific purposes. The Organization received funds of \$2,000 in December 2004 to be used for programs assisting low-to-moderate income families. Currently, the restriction has not been fulfilled on this contribution and the funds remain restricted. Of the funds received for this purpose, \$1,800 of the restricted funds were spent for the purpose in which they were donated, and \$200 remains temporarily restricted.

The Organization received contributions in 2013 that were restricted to the building of a new hangar and/or for renovation of the Willow Run Bomber Plant for the museum. The hangar project and the Willow Run Bomber Plant are the same project and is now the main focus of the Organization for fundraising and expenditures. Funds previously restricted for this purpose have been moved to unrestricted funds from temporarily restricted. As of December 31, 2013, the Organization had \$299,544 of funds received that were designated for the project that had not been spent (Note 10).

The Organization received a grant from the Michigan Economic Development Corporation (MEDC) for \$1,500,000 to specifically provide for the structural bracing and construction of wall segments of the Willow Run Bomber Plant for the museum. The Organization received \$1,250,000 of the grant in 2014 and the remaining \$250,000 to be paid once construction is completed, no later than September 30, 2015. For the year ended December 31, 2014, temporarily restricted funds for this project are \$1,168,864.

NOTE 6– RELATED PARTY TRANSACTIONS

The Organization paid Norton Development, owned by the President of the Organization, \$3,127 in rent for the year ended December 31, 2013, for office space to store the Organizations' records. The lease was approved by the Board of Directors for monthly payments of \$345.16 beginning January 1, 2012.

MICHIGAN AEROSPACE FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2014 and 2013

NOTE 7 – CONTRACTS AND FUTURE OBLIGATIONS

As part of the Organization's agreement with the Yankee Air Museum, the Organization has contracted with engineering consultants and general contractors to provide services toward the reconstruction of the Yankee Air Museum. These contracts are for specific services, such as topographical surveys, development of a master plan, and renovation of the Willow Run Bomber Plant. Payment is due as the contract is completed, and therefore, at the end of the year, some contracts may not be completed. The Organization had \$37,089 in obligations at the end of 2014, and no obligations at the end of 2013. The Organization has spent \$199,435 and \$68,841 during the years ended December 31, 2014 and 2013 on engineering and construction projects to rebuild and renovate the Museum.

NOTE 8 – FUNDRAISING ACTIVITIES

The Organization has contracted with professional fundraising companies to consult and raise funds to complete the restoration of the Yankee Air Museum. The current firm, Montgomery Consulting, Inc. will work with the Organization's Board of Directors to develop and implement a plan for fundraising, as well as identify potential gifting sources. Fees paid for professional fundraising services were \$104,275 and \$95,972 for the years ended December 31, 2014 and 2013, respectively.

NOTE 9 –GRANTS TO OTHER ORGANIZATIONS

The Organization has created a reciprocal transfer of assets to an endowment fund with the Community Foundation of Southeast Michigan. The Organization is the beneficiary of the endowment, and can receive the assets, the return on investment of the assets, or both back from the endowment fund. Contributors can make donations on behalf of the Organization, which, through the Community Foundation, are eligible for a matching grant from the Community Foundation. The Organization can receive a grant of 5% of the fund's value, or leave the grant in the endowment fund. The Organization did not elect to report the investment at fair value, however, the fair market value of the fund at December 31, 2014 and 2013 is \$39,978 and \$38,739, respectively.

NOTE 10 –PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to reclassify previously temporarily restricted net assets to unrestricted net assets for funds received to restore the hangar. For the year ended December 31, 2014, \$299,544 of temporarily restricted net assets were reclassified to unrestricted net assets. Unrestricted net assets increased by \$299,544 and temporarily restricted net assets decreased by \$299,544.

MICHIGAN AEROSPACE FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2014 and 2013

NOTE 11 –CONCENTRATION OF CREDIT RISK

At various times during the year ended December 31, 2014 and 2013 the organization may have had more funds on deposit at one financial institution than the amount insured by the Federal Deposit Insurance Corporation. Management regularly monitors the financial condition of the banking institutions, along with their balances in cash and tries to keep these potential risks to a minimum. Funds have been deposited in several different banking institutions to minimize the risk. In the opinion of management, this does not represent unusual risk. At December 31, 2014 and 2013, there were \$1,466,800 and \$0 amounts at risk, (in excess of \$250,000), respectively.

NOTE 12 – PLEDGES RECEIVABLE

As part of the Organization's fundraising activities, the Organization has received promises to give from various individuals and corporations.

Unconditional promises to give at December 31, 2014, are as follows:

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|-------------------|
| Unrestricted contributions: | <u>\$ 453,250</u> | <u>\$ 297,300</u> |
| To be received in less than one year: | \$ 244,650 | \$ 157,500 |
| To be received in one to five years | 150,350 | 139,800 |
| To be received in more than five years | <u>58,250</u> | <u>0</u> |
| Total unconditional promises to give | <u>\$ 453,250</u> | <u>\$ 297,300</u> |



Criss, Wilmarth & Parr, P.C.

Donald D. Criss, CPA
Denise Wilmarth, CPA
Gayl N. Parr, CPA

Independent Auditors' Report to Supplementary Information

To The Board of Directors
Michigan Aerospace Foundation, Inc.
Ann Arbor, Michigan

We have audited the financial statements of Michigan Aerospace Foundation, Inc. as of and for the year ended December 31, 2014, and have issued our report thereon dated May 22, 2015, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of General and Administrative expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Criss Wilmarth & Parr PC

Criss, Wilmarth & Parr, P.C.
Certified Public Accountants

May 22, 2015

MICHIGAN AEROSPACE FOUNDATION, INC.
General and Administrative Expenses
For the Year Ended December 31, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|------------------------------|-------------------|-------------------|
| Accounting & Legal Fees | \$ 87,803 | \$ 17,269 |
| Amortization | 796 | 464 |
| Bank Charges | 320 | 57 |
| Board of Directors Meetings | 3,224 | 2,836 |
| Computer Services & Software | 471 | 2,884 |
| Event Expense | 17,008 | 8,743 |
| Insurance | 899 | 849 |
| Storage Rental | 1,728 | 144 |
| Mailing Services | 885 | 9,441 |
| Marketing & Public Relations | 89,024 | 134,352 |
| Miscellaneous | 257 | 320 |
| Office Supplies | 595 | 1,580 |
| Postage, Shipping & Delivery | 782 | 825 |
| Rent (Note 6) | 2,123 | 3,127 |
| Travel | | 5,006 |
| | <u>\$ 205,915</u> | <u>\$ 187,897</u> |