

# The Air Force Museum Foundation, Inc.

Financial Statements and Supplemental Schedules for  
the Years Ended December 31, 2012 and 2011, and  
Independent Auditors' Report

# THE AIR FORCE MUSEUM FOUNDATION, INC.

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## INDEPENDENT AUDITORS' REPORT

The Audit Committee  
The Air Force Museum Foundation, Inc.:

We have audited the accompanying financial statements of The Air Force Museum Foundation, Inc. (the "Foundation"), which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of activities and statements of cash flow 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Foundation'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 Foundation'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 financial position of the Foundation as of December 31, 2012 and 2011, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on pages 13 and 14 are presented for the purpose of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of the Company's management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such schedules 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, such schedules are fairly stated in all material respects in relation to the financial statements as a whole.

*Deloitte & Touche LLP*

April 24, 2013

# THE AIR FORCE MUSEUM FOUNDATION, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2012 AND 2011

	2012	2011
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and equivalents	\$ 689,130	\$ 401,642
Investments — at fair value	8,599,104	6,553,324
Interest and dividends receivable	191,725	158,801
Merchandise inventories	285,461	329,685
Current portion of pledges receivable	3,914,400	3,538,548
Prepaid expenses and other assets	<u>54,370</u>	<u>100,501</u>
Total current assets	<u>13,734,190</u>	<u>11,082,501</u>
PROPERTY:		
Furniture and equipment	1,741,546	1,226,714
Less accumulated depreciation	<u>(1,128,694)</u>	<u>(1,137,099)</u>
Total property	<u>612,852</u>	<u>89,615</u>
OTHER ASSETS:		
Annuities receivable	29,559	32,536
Investments — at fair value	22,370,242	19,752,729
Pledges receivable — long term	<u>7,023,640</u>	<u>9,734,900</u>
Total other assets	<u>29,423,441</u>	<u>29,520,165</u>
TOTAL ASSETS	<u>\$ 43,770,483</u>	<u>\$ 40,692,281</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 146,988	\$ 43,234
Accrued liabilities:		
Payroll and sales taxes, and 401(k) contributions	29,667	41,155
Film rights payable	<u>-</u>	<u>3,960</u>
Total current liabilities	<u>176,655</u>	<u>88,349</u>
DEFERRED REVENUE	<u>55,400</u>	<u>56,300</u>
NET ASSETS:		
Unrestricted	20,568,167	19,571,417
Temporarily Restricted	<u>22,970,261</u>	<u>20,976,215</u>
Total net assets	<u>43,538,428</u>	<u>40,547,632</u>
TOTAL	<u>\$ 43,770,483</u>	<u>\$ 40,692,281</u>

See notes to financial statements.

# THE AIR FORCE MUSEUM FOUNDATION, INC.

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUES:</b>			
Museum store sales	\$ 2,539,842	\$ -	\$ 2,539,842
Building and education fund donation	189,184	1,987,269	2,176,453
Other gifts and grants	443,097	-	443,097
Theatre ticket sales	821,626	-	821,626
Interest and dividends	726,537	55	726,592
Membership fees	519,918	-	519,918
Increase in memorial park fund	-	6,722	6,722
Café net sales	70,604	-	70,604
Mail order fees, concessions, and other	47,587	-	47,587
Realized losses on investments — net	(226,887)	-	(226,887)
<b>Total revenues</b>	<b>5,131,508</b>	<b>1,994,046</b>	<b>7,125,554</b>
<b>EXPENSES:</b>			
Cost of merchandise sold	1,179,690	-	1,179,690
Salaries and wages	1,288,981	-	1,288,981
Service contracts	324,613	-	324,613
Museum program support	208,573	-	208,573
Theatre operations	215,673	-	215,673
Marketing and advertising	135,268	-	135,268
Payroll taxes	101,394	-	101,394
Bank and card processing fees	92,137	-	92,137
Investment management fees	93,580	-	93,580
Printing costs	66,324	-	66,324
Supplies	57,092	-	57,092
Medical/life insurance benefits	42,154	-	42,154
Professional services	48,891	-	48,891
401(k) contributions	39,547	-	39,547
Depreciation	42,297	-	42,297
Café in-house expenses	47,982	-	47,982
Shipping and postage	68,126	-	68,126
Insurance	30,270	-	30,270
Travel	23,152	-	23,152
Other	36,638	-	36,638
Equipment	15,097	-	15,097
Telephone	17,200	-	17,200
Gain/loss on sale of assets	4,833	-	4,833
Special events	16,990	-	16,990
State registration fees	2,533	-	2,533
<b>Total expenses</b>	<b>4,199,035</b>	<b>-</b>	<b>4,199,035</b>
<b>REVENUES IN EXCESS OF EXPENSES</b>	<b>932,473</b>	<b>1,994,046</b>	<b>2,926,519</b>
<b>UNREALIZED GAINS ON INVESTMENTS — Net</b>	<b>64,277</b>	<b>-</b>	<b>64,277</b>
<b>CHANGE IN NET ASSETS</b>	<b>996,750</b>	<b>1,994,046</b>	<b>2,990,796</b>
<b>NET ASSETS:</b>			
Beginning of period	19,571,417	20,976,215	40,547,632
End of period	\$20,568,167	\$22,970,261	\$43,538,428

(Continued)

# THE AIR FORCE MUSEUM FOUNDATION, INC.

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2011		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUES:</b>			
Museum store sales	\$ 2,383,803	\$ -	\$ 2,383,803
Building and education fund donation	-	10,277,146	10,277,146
Other gifts and grants	296,156	-	296,156
Theatre ticket sales	826,495	-	826,495
Interest and dividends	594,311	72	594,383
Membership fees	446,691	-	446,691
Increase in memorial park fund	-	8,339	8,339
Café net sales	123,139	-	123,139
Mail order fees, concessions, and other	29,437	-	29,437
Realized losses on investments — net	(174,261)	-	(174,261)
<b>Total revenues</b>	<u>4,525,771</u>	<u>10,285,557</u>	<u>14,811,328</u>
<b>EXPENSES:</b>			
Cost of merchandise sold	1,126,650	-	1,126,650
Salaries and wages	1,089,564	-	1,089,564
Service contracts	197,175	-	197,175
Museum program support	150,715	-	150,715
Theatre operations	186,943	-	186,943
Marketing and advertising	68,985	-	68,985
Payroll taxes	92,881	-	92,881
Bank and card processing fees	87,670	-	87,670
Investment management fees	-	-	-
Printing costs	53,051	-	53,051
Supplies	32,832	-	32,832
Medical/life insurance benefits	26,393	-	26,393
Professional services	69,254	-	69,254
401(k) contributions	23,661	-	23,661
Depreciation	34,464	-	34,464
Café in-house expenses	27,099	-	27,099
Shipping and postage	58,115	-	58,115
Insurance	28,985	-	28,985
Travel	11,010	-	11,010
Other	28,065	-	28,065
Equipment	15,203	-	15,203
Telephone	17,804	-	17,804
Gain/loss on sale of assets	484	-	484
Special events	6,185	-	6,185
State registration fees	-	-	-
<b>Total expenses</b>	<u>3,433,188</u>	<u>-</u>	<u>3,433,188</u>
<b>REVENUES IN EXCESS OF EXPENSES</b>	1,092,583	10,285,557	11,378,140
<b>UNREALIZED LOSSES ON INVESTMENTS — Net</b>	(266,006)		(266,006)
<b>PROPERTY DONATED TO THE U.S. AIR FORCE MUSEUM TRANSFER TO TEMPORARILY RESTRICTED</b>	(11,614)	112,232	(11,614)
	<u>(112,232)</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	702,731	10,397,789	11,100,520
<b>NET ASSETS:</b>			
Beginning of period	<u>18,868,686</u>	<u>10,578,426</u>	<u>29,447,112</u>
End of period	<u>\$19,571,417</u>	<u>\$20,976,215</u>	<u>\$40,547,632</u>

See notes to financial statements.

(Concluded)

# THE AIR FORCE MUSEUM FOUNDATION, INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 2,990,796	11,100,520
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on sale of assets	4,833	484
Depreciation	42,297	34,464
Net loss on investments	162,610	806,907
Amortization — prepaid theater lease costs	-	27,724
Change in noncash assets and liabilities		
Interest and dividends receivable	(32,924)	(23,467)
Merchandise inventories	44,224	(69,166)
Pledges receivable	2,335,408	(8,062,369)
Annuity receivable	2,977	2,863
Prepaid expenses, and other assets	46,131	(12,627)
Accounts payable	103,754	9,105
Deferred revenues	(900)	(12,700)
Accrued liabilities	(15,448)	14,799
	<u>5,683,758</u>	<u>3,816,537</u>
Net cash provided by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(18,893,227)	(10,847,705)
Maturities and sales of investments	14,067,324	7,135,307
Capital expenditures	(570,367)	(30,456)
	<u>(5,396,270)</u>	<u>(3,742,854)</u>
Net used in investing activities		
CHANGES IN CASH AND EQUIVALENTS	287,488	73,683
<b>CASH AND EQUIVALENTS:</b>		
Beginning of period	<u>401,642</u>	<u>327,959</u>
End of period	<u>\$ 689,130</u>	<u>\$ 401,642</u>

See notes to financial statements.



# THE AIR FORCE MUSEUM FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Air Force Museum Foundation, Inc.'s (the "Foundation") purpose is to foster and develop the National Museum of the United States Air Force (the "Museum") as a medium of information and education. The Foundation also assists in activities to develop and expand the Museum facilities through the donation of services and miscellaneous supplies. The activities of the Foundation include Theatre, Museum Store, Café, Membership, Development and General. The Foundation follows the accounting procedures as set forth in the American Institute of Certified Public Accountants audit and accounting guide Not-for-Profit Organizations.

**Cash and Equivalents** — Cash and equivalents include interest-bearing deposits and short-term daily investments and are stated at cost which approximates fair value. On December 31, 2012, \$675,065 of cash and cash equivalents was covered by federal depository insurance. Cash and cash equivalent are maintained at one financial institution and the fluctuations in the account balances result in deposits that might exceed federal depository insurance limits during the year.

**Investments** — Investments are classified as available-for-sale. Investments donated to the Foundation are recorded at fair market value at the date of the gift. Changes in fair values of investments are included in the statement of activities under the caption, "Unrealized gains, and losses on investments — net." Realized gains or losses from the sale of investment securities are determined using the specific identification method.

**Fair Value Hierarchy** — Accounting standards codification ("ASC") 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with ASC 820, the following summarizes the fair value hierarchy:

*Level 1* — Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

*Level 2* — Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly such as interest rates and yield curves that are observable at commonly quoted intervals;

*Level 3* — Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

**Merchandise Inventories** — Merchandise inventories are stated at lower of cost or market. Cost is determined using the first-in, first-out method.

**Property** — Property is stated at cost. Equipment and computer equipment is depreciated using the straight-line method over eight years and five years, respectively. Management evaluates the carrying value of its Property for impairment by assessing recoverability based on forecasted operating cash flows on an undiscounted basis. No indication of impairment existed at December 31, 2012 or 2011.

**Deferred Revenues** — Membership fees relating to the costs associated with two and three-year memberships are deferred and recognized into income during the period in which the services are provided.

**Revenues** — Pledges, gifts, grants, and membership fees are recorded at present value as received, pledged or as they become receivable.

**Memberships** — The Foundation offers one, two and three-year memberships. Revenues derived from the performance of service for these memberships are recognized in the period in which the services are provided. Fundraising expenses related to memberships were \$281,159 and \$234,763 in 2012 and 2011, respectively.

**Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**Tax Status** — The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code; however, certain income may be subject to unrelated business income tax. The Foundation had no unrelated business net income during 2012 or 2011.

**Reclassifications** — Certain reclassifications have been made to 2011 to conform to 2012.

**Subsequent Events** — The Foundation has evaluated subsequent events through April 24, 2013, the date the Financial Statements were available for issuance, to determine if either recognition or disclosure of significant events or transactions is required. Based on this evaluation, we are not aware of any events or transactions that would require recognition or disclosure in our consolidated financial statements.

## 2. MERCHANDISE INVENTORIES

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Gifts	\$ 106,165	\$ 118,542
Books	97,026	114,136
Prints	10,971	8,964
Models	15,567	15,675
Donated Items	24,495	42,495
Other	<u>31,237</u>	<u>29,873</u>
Total inventory	<u>\$ 285,461</u>	<u>\$ 329,685</u>

### 3. INVESTMENTS

Investments with maturities of less than one year are classified as short-term. The remaining investments are classified as long-term. Investments at December 31, 2012 and 2011, consist of the following:

	<b>2012</b>	<b>2011</b>
Money market securities	\$ 422,313	\$ 781,534
U.S. government obligations	24,421,435	20,985,672
Common stocks		2,869,361
Mutual funds:		
Government bonds	776,957	112,950
U.S. Treasury	2,345,326	933,520
Other	<u>1,320,824</u>	<u>                    </u>
Total mutual funds	4,443,107	1,046,470
Corporate bonds	<u>1,682,491</u>	<u>623,016</u>
Total investments	<u>\$ 30,969,346</u>	<u>\$ 26,306,053</u>

In accordance with ASC 820, all of the Foundation's available-for-sale securities are classified as Level 1 or Level 2. As of December 31, 2012, financial assets utilizing Level 1 inputs included money market securities such as money market deposits, cash equivalents, and other investment with quoted prices available for identical items in active markets, such as registered mutual funds, publicly-traded equities, and U.S. Treasuries. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Financial assets utilizing Level 2 inputs included U.S. Agency obligations. The Foundation does not have any financial assets requiring classification as a Level 3 investment.

The fair values of the investments are primarily based on investments traded in active markets. For those that are not traded in active markets, the fair value is determined using quantitative market comparison models that require the use of multiple market inputs including interest rates, prices and indices to generate pricing and volatility factors, which are used to value the asset. The predominance of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. There were no transfers between level 1 and level 2 during 2012. The following table sets forth the financial instruments carried at fair value within the ASC 820 hierarchy and using the lowest level of input as of December 31, 2012 and 2011:

<b>2012</b>	<b>Financial Instruments Carried at Fair Value</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Assets:			
Money market securities	\$ 422,313	\$ -	\$ 422,313
U.S. Treasury obligations	18,636,021		18,636,021
U.S. Agency obligations		5,785,414	5,785,414
Commons stock	4,443,107		4,443,107
Corporate bonds	<u>1,682,491</u>	<u>                    </u>	<u>1,682,491</u>
Total assets	<u>\$25,183,932</u>	<u>\$5,785,414</u>	<u>\$30,969,346</u>

2011	Financial Instruments Carried at Fair Value		
	Level 1	Level 2	Total
Assets:			
Money market securities	\$ 781,534	\$ -	\$ 781,534
U.S. Treasury obligations	13,750,131		13,750,131
U.S. Agency obligations		7,235,541	7,235,541
Commons stock	3,915,831		3,915,831
Corporate bonds	<u>623,016</u>	<u>                    </u>	<u>623,016</u>
Total assets	<u>\$19,070,512</u>	<u>\$7,235,541</u>	<u>\$26,306,053</u>

Investment management fees for 2012 and 2011 totaled \$93,580 and \$82,815, respectively, and are netted against interest and dividends.

#### 4. PLEDGES RECEIVABLE

The Foundation records pledges receivable at present value, which is \$10,938,040 and \$13,273,448 at December 31, 2012 and 2011, respectively.

The following is a schedule of the amounts receivable by year:

Years Ending December 31	
2013	\$ 4,180,049
2014	1,515,600
2015	1,357,000
2016	1,051,000
2017	1,000,000
Thereafter	<u>3,000,000</u>
	12,103,649
Less imputed interest	<u>(1,165,609)</u>
	<u>\$10,938,040</u>

#### 5. LEASING ACTIVITIES

On April 20, 2011, the Foundation signed an agreement to lease theater equipment for a 1-year period and expired in April 2012. The total cost of \$70,000 was paid monthly over the life of the lease, with \$29,167 paid out during 2012. On March 31, 2012, The Foundation signed the 3rd renewal of the IMAX lease for 8 months commencing May 1, 2012, and ending December 31, 2012. The total cost of the lease was \$41,200.

**6. EMPLOYEE BENEFIT PLAN**

The Foundation provides a 401(k) profit sharing plan (“Plan”), which covers all qualified employees. Participants may contribute up to 85% of their pre-tax annual compensation as defined in the Plan up to the maximum amount permissible under tax laws. In 2012, The Foundation matched 100% of the employees’ contribution, up to 5% of the employees’ pre-tax annual compensation as defined by the Plan. In 2011, the Foundation matched 75% of the employees’ contribution, up to 6% of the employees’ pre-tax annual compensation as defined by the Plan. The Plan also provides for a profit sharing contribution at the discretion of the Board of Managers of the Foundation. The Foundation’s expense under the Plan was \$39,547 and \$23,661 in 2012 and 2011, respectively.

**7. PROPERTY DONATED TO THE UNITED STATES AIR FORCE**

Museum buildings and related physical facilities constructed by or funded by the Foundation and other property have been donated to the USAF. Funds for capital improvements of \$11,614 in 2011 were donated to the USAF. There were no funds donated in 2012.

**8. TEMPORARILY RESTRICTED NET ASSETS**

The temporarily restricted net assets consist primarily of contributions accepted by the Foundation for the building fund. The building fund will be donated to the USAF gift fund, for the construction of the “Expansion Project” addition to the Museum. The first two buildings in this project were completed in 2003 and 2004, respectively. The summary of the temporarily restricted net assets as of December 31, 2012 and 2011, is as follows:

	<b>2012</b>	<b>2011</b>
Cash and cash equivalents	\$ 185,491	\$ 178,713
Pledges receivable	10,938,040	13,273,448
Investments, at fair value	<u>11,846,730</u>	<u>7,524,054</u>
Total temporarily restricted net assets	<u>\$22,970,261</u>	<u>\$20,976,215</u>

**9. EXPANSION PROJECT**

The Foundation continues its fund-raising efforts for the expansion of the Museum. The campaign expects to raise the necessary funds for a 224,000 square foot facility to house three new galleries. The U.S. Army Corps of Engineers (“CoE”) has estimated the expansion effort to cost \$48 million. The U.S. Air Force has adopted this estimate. \$22.8 million in temporarily restricted net assets and \$14.9 million in board designated unrestricted net assets are already available toward the project. All funds raised will be donated to the USAF Gift Fund for the construction effort, to be managed by the CoE. Additional costs may be funded at the discretion of the Board of Managers of the Foundation from Foundation future operations. There were no fund-raising expenses related to external professional services in 2012 or 2011.

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## **SUPPLEMENTAL SCHEDULES**

# THE AIR FORCE MUSEUM FOUNDATION, INC.

## SCHEDULE OF REVENUES AND EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2012

	Total	Operations	Museum Store	Theatre
Revenues:				
Museum store sales	\$ 2,539,842	\$ -	\$ 2,479,381	\$ 60,461
Building and education fund donation	2,176,453	2,136,453	-	40,000
Other gifts and grants	443,097	443,097	-	-
Theatre ticket sales	821,626	-	-	821,626
Interest and dividends	726,592	726,592	-	-
Membership fees	519,918	519,918	-	-
Increase in memorial park fund	6,722	6,722	-	-
Café net sales	70,604	70,604	-	-
Mail order fees, concessions, and other	47,587	19,574	27,708	305
Realized losses on investments — net	(226,887)	(226,887)	-	-
<b>Total revenues</b>	<b>7,125,554</b>	<b>3,696,073</b>	<b>2,507,089</b>	<b>922,392</b>
Expenses:				
Cost of merchandise sold	1,179,690	-	1,170,050	9,640
Salaries and wages	1,288,981	680,512	360,388	248,081
Service contracts	324,613	222,739	24,461	77,413
Museum program support	208,573	208,573	-	-
Theatre operations	215,673	-	-	215,673
Marketing and advertising	135,268	88,208	2,072	44,988
Payroll taxes	101,394	47,690	31,255	22,449
Bank and card processing fees	92,137	14,370	62,459	15,308
Investment management fees	93,580	93,580	-	-
Printing costs	66,324	65,608	716	-
Supplies	57,092	39,241	13,921	3,930
Medical/life insurance benefits	42,154	18,949	13,014	10,191
Professional services	48,891	48,041	-	850
401(k) contributions	39,547	23,634	8,998	6,915
Depreciation	42,297	29,517	9,653	3,127
Café in-house expenses	47,982	47,982	-	-
Shipping and postage	68,126	41,525	25,270	1,331
Insurance	30,270	8,586	13,616	8,068
Travel	23,152	18,292	2,042	2,818
Other	36,638	33,620	426	2,592
Equipment	15,097	6,538	598	7,961
Telephone	17,200	6,405	4,362	6,433
Gain/loss on sale of assets	4,833	4,413	-	420
Special events	16,990	16,523	-	467
State registration fees	2,533	2,533	-	-
<b>Total expenses</b>	<b>4,199,035</b>	<b>1,767,079</b>	<b>1,743,301</b>	<b>688,655</b>
<b>Revenues in excess of expenses</b>	<b>\$ 2,926,519</b>	<b>\$ 1,928,994</b>	<b>\$ 763,788</b>	<b>\$ 233,737</b>

See Independent Auditors' Report on Supplemental Schedules.

**THE AIR FORCE MUSEUM FOUNDATION, INC.**

**SCHEDULE OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Total	Operations	Museum Store	Theatre
Revenues:				
Museum store sales	\$ 2,383,803	\$ -	\$ 2,383,803	\$ -
Building and education fund donation	10,277,146	10,277,146	-	-
Other gifts and grants	296,156	236,657	56,499	3,000
Theatre ticket sales	826,495	-	-	826,495
Interest and dividends	594,383	594,383	-	-
Membership fees	446,691	446,691	-	-
Increase in memorial park fund	8,339	8,339	-	-
Property donated	-	-	-	-
Café net sales	123,139	123,139	-	-
Mail order fees, concessions, and other	29,436	2,999	26,437	-
Realized losses on investments — net	<u>(174,261)</u>	<u>(174,261)</u>	<u>-</u>	<u>-</u>
<b>Total revenues</b>	<b><u>14,811,328</u></b>	<b><u>11,515,093</u></b>	<b><u>2,466,739</u></b>	<b><u>829,495</u></b>
Expenses:				
Cost of merchandise sold	1,126,650	-	1,126,097	553
Salaries and wages	1,089,564	330,725	541,397	217,442
Service contracts	197,175	77,783	34,463	84,929
Museum program support	150,715	150,715	-	-
Theatre operations	186,943	-	-	186,943
Marketing and advertising	68,985	3,362	1,705	63,918
Payroll taxes	92,881	26,200	45,977	20,704
Bank and card processing fees	87,670	10,670	62,671	14,329
Printing costs	53,051	52,427	624	-
Supplies	32,832	11,833	18,908	2,091
Medical/life insurance benefits	26,393	6,432	12,128	7,833
Professional services	69,254	68,404	-	850
401(k) contributions	23,661	4,417	14,091	5,153
Depreciation	34,464	16,548	12,330	5,586
Café in-house expenses	27,099	27,099	-	-
Shipping and postage	58,115	32,471	25,427	217
Insurance	28,985	7,750	12,743	8,492
Travel	11,010	6,714	1,747	2,549
Other	28,065	25,583	1,589	893
Equipment	15,203	2,314	840	12,049
Telephone	17,804	4,184	6,771	6,849
Gain/loss on sale of assets	484	484	-	-
Special events	6,185	-	-	6,185
State registration fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenses</b>	<b><u>3,433,188</u></b>	<b><u>866,115</u></b>	<b><u>1,919,508</u></b>	<b><u>647,565</u></b>
<b>Revenues in excess of expenses</b>	<b><u>\$ 11,378,140</u></b>	<b><u>\$ 10,648,978</u></b>	<b><u>\$ 547,231</u></b>	<b><u>\$ 181,930</u></b>

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