

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

**December 31, 2021**

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

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## REPORT OF INDEPENDENT AUDITORS

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

### **Opinion**

We have audited the accompanying financial statements of UDT-SEAL Museum Association, Inc. (the "Museum"), (a non-profit organization), which comprise the statement of assets, liabilities and net assets – modified cash basis as of December 31, 2021 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 financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UDT-SEAL Museum Association, Inc. as of December 31, 2021, and the changes in its net assets and cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note 1 to the financial statements..

### ***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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UDT-SEAL Museum Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about UDT-SEAL Museum Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for a reasonable period of time.



Berger, Toombs, Elam,  
Gaines & Frank  
Certified Public Accountants PL

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The statement of assets, liabilities and net assets by component – modified cash basis, statement of revenues and other support, expenses and changes in net assets by component – modified cash basis, statement of changes in cash by component – modified cash basis and the statement of functional expenses by component – modified cash basis are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Berger Toombs Elam  
Gaines & Frank*

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

December 1, 2022

**UDT-SEAL Museum Association, Inc.**  
**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS – MODIFIED CASH BASIS**  
**December 31, 2021**

<b>ASSETS</b>	
Current Assets	
Cash and equivalents	\$ 4,299,672
Investments	812,211
Inventory	315,186
Prepaid expenses	6,803
Total Current Assets	<u>5,433,872</u>
Noncurrent Assets	
Fixed Assets	
Land	277,900
Construction in progress	53,146
Buildings and improvements	292,608
Plaques, exhibits and displays	4,763,531
Leasehold improvements	2,087,637
Furniture and equipment	424,581
Signage	77,178
Less - accumulated depreciation	<u>(1,706,954)</u>
Total Fixed Assets	<u>6,269,627</u>
Total Assets	<u><u>\$ 11,703,499</u></u>
 <b>LIABILITIES AND NET ASSETS</b>	
Current Liabilities	
Other liabilities	<u>\$ 10,604</u>
Net Assets	
With donor restrictions	578,170
Without donor restrictions - board designated endowment fund	1,108,342
Without donor restrictions	<u>10,006,383</u>
Total Net Assets	<u>11,692,895</u>
Total Liabilities and Net Assets	<u><u>\$ 11,703,499</u></u>

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

**UDT-SEAL Museum Association, Inc.**  
**STATEMENT OF REVENUES AND OTHER SUPPORT, EXPENSES AND**  
**CHANGES IN NET ASSETS – MODIFIED CASH BASIS**  
**For the Year Ended December 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Support			
Contributions	\$ 881,528	\$ 1,104,003	\$ 1,985,531
Grants	140,000	-	140,000
Total Support	<u>1,021,528</u>	<u>1,104,003</u>	<u>2,125,531</u>
Revenues			
Fundraising, net of expenses (\$897,101)	994,403	-	994,403
Admissions	461,475	-	461,475
Ship store, net of expenses (\$284,127)	250,459	-	250,459
Memberships	68,080	-	68,080
Investment income	19,491	-	19,491
Miscellaneous income	325,426	-	325,426
Total Revenues	<u>2,119,334</u>	<u>-</u>	<u>2,119,334</u>
Net assets released from restrictions:	<u>939,945</u>	<u>(939,945)</u>	<u>-</u>
Total Support and Revenues	<u>4,080,807</u>	<u>164,058</u>	<u>4,244,865</u>
Expenses			
Program Services			
Public education	1,539,193	-	1,539,193
Trident House	818,895	-	818,895
California expansion	429,451	-	429,451
Total Program Services	<u>2,787,539</u>	<u>-</u>	<u>2,787,539</u>
Support Services			
General administration	280,027	-	280,027
Fundraising	455,279	-	455,279
Total Supporting Services	<u>735,306</u>	<u>-</u>	<u>735,306</u>
Total Expenses	<u>3,522,845</u>	<u>-</u>	<u>3,522,845</u>
Change in Net Assets	557,962	164,058	722,020
Net Assets - January 1, 2021	<u>10,556,763</u>	<u>414,112</u>	<u>10,970,875</u>
Net Assets - December 31, 2021	<u>\$ 11,114,725</u>	<u>\$ 578,170</u>	<u>\$ 11,692,895</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, 2021**

Cash Flows From Operating Activities

Increase in net assets	\$	722,020
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
PPP loan forgiveness		(318,530)
Depreciation		250,479
Decrease in construction in progress		137,900
Increase in inventory		(44,653)
Increase in prepaid expenses		(6,803)
Decrease in other liabilities		<u>(67,155)</u>
Net Cash Provided by Operating Activities		<u>673,258</u>

Cash Flows Provided by Investing Activities

Purchases of fixed assets		(295,207)
Purchases of marketable securities		(319,430)
Proceeds from sales of marketable securities		<u>313,524</u>
Net Cash Used by Investing Activities		<u>(301,113)</u>

Cash Flows from Financing Activities

Proceeds from PPP loan		<u>146,030</u>
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Net Increase in Cash		518,175
Cash, January 1, 2021		<u>3,781,497</u>
Cash, December 31, 2021	\$	<u><u>4,299,672</u></u>

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, 2021**

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Public Education	Trident House	California Expansion		General Administration	Fundraising		
Salaries and wages	\$ 775,065	\$ -	\$ 145,723	\$ 920,788	\$ 179,374	\$ 95,665	\$ 275,039	\$ 1,195,827
Depreciation	241,750	8,653	-	250,403	-	76	76	250,479
Marketing and promotion	-	6,749	-	6,749	-	261,502	261,502	268,251
Repairs and maintenance	106,383	11,257	-	117,640	-	-	-	117,640
Insurance	75,060	2,363	-	77,423	21,827	9,886	31,713	109,136
Family support	-	545,178	-	545,178	-	-	-	545,178
San Diego expansion	-	-	6,828	6,828	-	-	-	6,828
Scholarships	-	238,410	-	238,410	-	-	-	238,410
Payroll taxes	57,158	-	9,772	66,930	14,098	7,874	21,972	88,902
Professional fees	2,400	-	267,128	269,528	29,159	14,639	43,798	313,326
Utilities	26,816	5,658	-	32,474	-	-	-	32,474
Office	45,937	-	-	45,937	7,520	13,179	20,699	66,636
Bank charges	39,572	-	-	39,572	-	-	-	39,572
Travel	5,171	-	-	5,171	10,341	42,673	53,014	58,185
Other	25,125	627	-	25,752	11,547	1,975	13,522	39,274
Supplies	17,251	-	-	17,251	6,161	1,232	7,393	24,644
Artifact maintenance	41,054	-	-	41,054	-	-	-	41,054
Archival digitization	21,941	-	-	21,941	-	-	-	21,941
FITH magazine	18,214	-	-	18,214	-	-	-	18,214
Dues and subscriptions	11,965	-	-	11,965	-	1,230	1,230	13,195
Recognition	10,136	-	-	10,136	-	5,348	5,348	15,484
Telephone	10,327	-	-	10,327	-	-	-	10,327
Equipment rent	7,868	-	-	7,868	-	-	-	7,868
<b>Total Expenses</b>	<b>\$ 1,539,193</b>	<b>\$ 818,895</b>	<b>\$ 429,451</b>	<b>\$ 2,787,539</b>	<b>\$ 280,027</b>	<b>\$ 455,279</b>	<b>\$ 735,306</b>	<b>\$ 3,522,845</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, 2021**

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

**Nature of Activities**

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.

The UDT-SEAL Museum Association, Inc. formed a single member LLC, with the UDT-SEAL Museum Association, Inc. as the single member, to begin a capital campaign for the San Diego, California expansion, named Navy SEAL Museum San Diego, LLC d/b/a Navy SEAL Xperience.

**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 Museum prepares its financial statements using the modified cash basis of accounting and accounting principles generally accepted in the United States of America.

**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, 2021**

**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.

**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, 2021**

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

**Net Assets**

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

**Net Assets Without Donor Restrictions**

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the Museum, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

**Net Assets With Donor Restrictions**

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Museum must continue to use the resources in accordance with the donor's instructions.

The Museum's unspent contributions are included in this class if the donor limited their use, as are its donor restricted endowment funds and its beneficial interest in a perpetual charitable trust held by a bank trustee.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Museum, unless the donor provides more specific directions about the period of its use.

**Classification of Transactions**

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

**UDT-SEAL Museum Association, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**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 \$267,227 for the year ending December 31, 2021.

**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 the years 2018, 2019, and 2020 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.

**UDT-SEAL Museum Association, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

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

**Fair Value Measurements**

The Museum reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices for identical assets or liabilities in active markets to which the Museum has access at the measurement date.
- Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, the Museum measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value.

**NOTE 2 – CASH**

At December 31, 2021, the Museum had deposits at various financial institutions with a carrying value of \$2,162,304, of which \$1,160,754 was not insured by the Federal Deposit Insurance Corporation.

At December 31, 2021, the Museum had money market accounts covered by the Securities Investor Protection Corporation (SIPC) totaling \$2,142,268. The money market accounts are SIPC insured up to \$250,000 for cash and \$500,000 per customer and the protection provided is only if the brokerage firm ceases doing business and not against losses from fluctuation in the value of the securities.

The Museum has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash.

**NOTE 3 – INVESTMENTS**

Investments available-for-sale at December 31, 2021 consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Equity securities	<u>\$ 812,211</u>	<u>\$ 1,088,663</u>

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.

**UDT-SEAL Museum Association, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 3 – INVESTMENTS (CONTINUED)**

Cash and securities held by brokerage institutions are covered by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per customer. 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, 2021 include \$812,211 (cost) in marketable securities

All equity securities are level 1 investments at December 31, 2021.

**NOTE 4 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021 are:

Cash	\$ 4,299,672
Investments	812,211
Less amounts with donor restrictions	(578,170)
Less Board designated amounts	<u>(1,108,342)</u>
Total financial assets available for general expenditure	<u>\$ 3,425,371</u>

**NOTE 5 – LEASES**

The Museum leases a copier and a postage machine under five year operating leases expiring in July 2021 and December 2024, respectively, totaling \$538 per month. Equipment rent expense for the year ended December 31, 2021 was \$7,868. Future minimum lease payments by fiscal year are as follow:

Fiscal Year Ending December 31,	Copier
2022	\$ 6,456
2023	6,456
2024	6,456
2025	5,988
2026	5,988
Total minimum lease payments	<u><u>\$ 31,344</u></u>

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

**UDT-SEAL Museum Association, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 6 – LINE OF CREDIT**

The Museum has opened a uncollateralized line of credit with Marine Bank in the amount of \$500,000 for future construction projects.

**NOTE 7 – RELEASE OF RESTRICTIONS**

Net assets were released from donor or grant restrictions by incurring expenses satisfying the restricted purpose by donors or grantees as follows:

Released from Restrictions:	
Navy SEAL Monument, VA Beach	\$ 21,050
Future Projects	100,000
SEAL Support (Trident House)	595,392
Trident House/San Diego	223,503
Total	<u>\$ 939,945</u>

**NOTE 8 – RESTRICTED NET ASSETS**

Restrictions on assets result from contributions, grants or bequests that have been restricted by the donors.

Assets with donor restrictions at year-end consisted of the following:

Purpose Restriction:	
Navy SEAL Monument, VA Beach	\$ 87,784
Future Projects	103,567
San Diego Trident House	21,497
San Diego Capital Campaign	50,000
SEAL Support (Trident House)	315,322
Total	<u>\$ 578,170</u>

**NOTE 9 – LOAN PAYABLE**

On April 20, 2020, the Museum was granted a loan (the "Loan") in the aggregate amount of \$172,500, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

On February 12, 2021, the Museum was granted a loan (the "Loan") in the aggregate amount of \$146,030, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loans, which were in the form of a Note mature on April 20, 2022 and February 12, 2023, respectively, and bear interest at a rate of 1.00% per annum. The Notes may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loans may only be used for payroll costs, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Museum used the entire Loan amounts for qualifying expenses.

During the year, both loans were forgiven.



**UDT-SEAL Museum Association, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 10 – ENDOWMENT**

FASB ASC 958-205 provides guidance on the net asset classification of board-designated endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC 958-205 also requires additional disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to functions supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Museum’s spending and investing policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. To satisfy its long term rate of return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum targets a diversified asset allocation that places an emphasis on investments to achieve its long-term return for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the purchasing power of the endowment. In making its decisions, the Museum uses reasonable care, skill, and caution in considering the purposes of the Museum, the intent of the donors of the endowment, the terms of applicable instruments, the long-term and short-term needs of the Museum in carrying out its purposes, the general economic conditions, the possible effect of inflation or deflation, or other resources of the Museum, and perpetuation of the endowment.

Endowment net asset composition by type of fund as of December 31, 2021 is as follows:

Type of Endowment Fund	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment	<u>\$ 1,108,342</u>	<u>\$ -</u>	<u>\$ 1,108,342</u>

**UDT-SEAL Museum Association, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 11 – RELATED PARTIES**

During the year ended December 31, 2021, the Museum received donations to be utilized towards a humanitarian effort from certain members of the Board whom are a related party to the recipient of the humanitarian effort. Donations received from the board member totaled \$190,000 related to the humanitarian effort and \$50,000 towards operating expenses during the fiscal year ended December 31, 2021.

**NOTE 12 – MANAGEMENT REVIEW**

Subsequent events have been evaluated through December 1, 2022, 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.

## **SUPPLEMENTARY INFORMATION**

**UDT-SEAL Museum Association, Inc.**  
**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS BY COMPONENT – MODIFIED CASH BASIS**  
**December 31, 2021**

	<u>Florida</u>	<u>California</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and equivalents	\$ 3,862,489	\$ 437,183	\$ 4,299,672
Investments	812,211	-	812,211
Intercompany loan (payable)/receivable	750,000	(750,000)	-
Inventory	315,186	-	315,186
Prepaid expenses	-	6,803	6,803
<b>Total Current Assets</b>	<u>5,739,886</u>	<u>(306,014)</u>	<u>5,433,872</u>
<b>Noncurrent Assets</b>			
<b>Fixed Assets</b>			
Land	277,900	-	277,900
Construction in progress	53,146	-	53,146
Buildings and improvements	292,608	-	292,608
Plaques, exhibits and displays	4,763,531	-	4,763,531
Leasehold improvements	2,087,637	-	2,087,637
Furniture and equipment	423,068	1,513	424,581
Signage	77,178	-	77,178
Less - accumulated depreciation	(1,706,878)	(76)	(1,706,954)
<b>Total Fixed Assets</b>	<u>6,268,190</u>	<u>1,437</u>	<u>6,269,627</u>
<b>Total Assets</b>	<u><b>\$ 12,008,076</b></u>	<u><b>\$ (304,577)</b></u>	<u><b>\$ 11,703,499</b></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Other liabilities	<u>\$ 9,948</u>	<u>\$ 656</u>	<u>\$ 10,604</u>
<b>Net Assets</b>			
With donor restrictions	506,673	71,497	578,170
Without donor restrictions - board designated endowment fund	1,108,342	-	1,108,342
Without donor restrictions	<u>10,383,113</u>	<u>(376,730)</u>	<u>10,006,383</u>
<b>Total Net Assets</b>	<u>11,998,128</u>	<u>(305,233)</u>	<u>11,692,895</u>
<b>Total Liabilities and Net Assets</b>	<u><b>\$ 12,008,076</b></u>	<u><b>\$ (304,577)</b></u>	<u><b>\$ 11,703,499</b></u>

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

**UDT-SEAL Museum Association, Inc.**  
**STATEMENT OF REVENUES AND OTHER SUPPORT, EXPENSES AND**  
**CHANGES IN NET ASSETS BY COMPONENT – MODIFIED CASH BASIS**  
**For the Year Ended December 31, 2021**

	<u>Florida</u>	<u>California</u>	<u>Total</u>
Revenues and other support			
Support			
Contributions	\$ 1,378,468	\$ 607,063	\$ 1,985,531
Grants	140,000	-	140,000
Total Support	<u>1,518,468</u>	<u>607,063</u>	<u>2,125,531</u>
Revenues			
Fundraising, net of expenses (\$897,101)	994,403	-	994,403
Admissions	461,475	-	461,475
Ship store, net of expenses (\$284,127)	250,459	-	250,459
Memberships	68,080	-	68,080
Investment income	19,490	1	19,491
Miscellaneous income	325,426	-	325,426
Total Revenues	<u>2,119,333</u>	<u>1</u>	<u>2,119,334</u>
Total Support and Revenues	<u>3,637,801</u>	<u>607,064</u>	<u>4,244,865</u>
Expenses			
Program Services			
Public education	1,539,193	-	1,539,193
Trident House	595,392	223,503	818,895
California expansion	6,828	422,623	429,451
Total Program Services	<u>2,141,413</u>	<u>646,126</u>	<u>2,787,539</u>
Support Services			
General administration	219,173	60,854	280,027
Fundraising	285,576	169,703	455,279
Total Supporting Services	<u>504,749</u>	<u>230,557</u>	<u>735,306</u>
Total Expenses	<u>2,646,162</u>	<u>876,683</u>	<u>3,522,845</u>
Change in Net Assets	991,639	(269,619)	722,020
Net Assets - January 1, 2021	<u>11,006,489</u>	<u>(35,614)</u>	<u>10,970,875</u>
Net Assets - December 31, 2021	<u>\$ 11,998,128</u>	<u>\$ (305,233)</u>	<u>\$ 11,692,895</u>

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

**UDT-SEAL Museum Association, Inc.**  
**STATEMENT OF CHANGES IN CASH BY COMPONENT – MODIFIED CASH BASIS**  
**For the Year Ended December 31, 2021**

	<u>Florida</u>	<u>California</u>	<u>Total</u>
Cash Flows From Operating Activities			
Increase/(Decrease) in net assets	\$ 991,639	\$ (269,619)	\$ 722,020
Adjustments to reconcile increase/(decrease) in net assets to net cash provided/(used) by operating activities:			
PPP loan forgiveness	(318,530)	-	(318,530)
Depreciation	250,403	76	250,479
Decrease in construction in progress	-	137,900	137,900
Increase in inventory	(44,653)	-	(44,653)
Increase in prepaid expenses	-	(6,803)	(6,803)
Increase in intercompany loan receivable	(450,000)	-	(450,000)
Increase/(decrease) in other liabilities	(67,811)	656	(67,155)
Net Cash Provided/(Used) by Operating Activities	<u>361,048</u>	<u>(137,790)</u>	<u>223,258</u>
Cash Flows Provided/(Used) by Investing Activities			
Purchases of fixed assets	(293,694)	(1,513)	(295,207)
Purchases of marketable securities	(319,430)	-	(319,430)
Proceeds from sales of marketable securities	<u>313,524</u>	<u>-</u>	<u>313,524</u>
Net Cash Provided/(Used) by Investing Activities	<u>(299,600)</u>	<u>(1,513)</u>	<u>(301,113)</u>
Cash Flows from Financing Activities			
Proceeds from PPP loan	146,030	-	146,030
Proceeds from intercompany loan	<u>-</u>	<u>450,000</u>	<u>450,000</u>
Net Cash Provided/(Used) by Financing Activities	<u>146,030</u>	<u>450,000</u>	<u>596,030</u>
Net Increase in Cash	207,478	310,697	518,175
Cash, January 1, 2021	<u>3,655,011</u>	<u>126,486</u>	<u>3,781,497</u>
Cash, December 31, 2021	<u>\$ 3,862,489</u>	<u>\$ 437,183</u>	<u>\$ 4,299,672</u>

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

**UDT-SEAL Museum Association, Inc.**  
**STATEMENT OF FUNCTIONAL EXPENSES BY COMPONENT – MODIFIED CASH BASIS**  
**For the Year Ended December 31, 2021**

	<b>Florida</b>							<b>Total Expenses</b>
	<b>Program Services</b>			<b>Supporting Services</b>				
	<b>Public Education</b>	<b>Trident House</b>	<b>California Expansion</b>	<b>Total Program Services</b>	<b>General Administration</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	
Salaries and wages	\$ 775,065	\$ -	\$ -	\$ 775,065	\$ 150,986	\$ 80,525	\$ 231,511	\$ 1,006,576
Depreciation	241,750	8,653	-	250,403	-	-	-	250,403
Marketing and promotion	-	6,749	-	6,749	-	184,584	184,584	191,333
Repairs and maintenance	106,383	11,257	-	117,640	-	-	-	117,640
Insurance	75,060	2,363	-	77,423	20,646	5,162	25,808	103,231
Family support	-	321,675	-	321,675	-	-	-	321,675
San Diego expansion	-	-	6,828	6,828	-	-	-	6,828
Scholarships	-	238,410	-	238,410	-	-	-	238,410
Payroll taxes	57,158	-	-	57,158	12,194	6,859	19,053	76,211
Professional fees	2,400	-	-	2,400	7,200	-	7,200	9,600
Utilities	26,816	5,658	-	32,474	-	-	-	32,474
Office	45,937	-	-	45,937	3,061	2,043	5,104	51,041
Bank charges	39,572	-	-	39,572	-	-	-	39,572
Travel	5,171	-	-	5,171	10,341	5,171	15,512	20,683
Other	25,125	627	-	25,752	8,584	-	8,584	34,336
Supplies	17,251	-	-	17,251	6,161	1,232	7,393	24,644
Artifact maintenance	41,054	-	-	41,054	-	-	-	41,054
Archival digitization	21,941	-	-	21,941	-	-	-	21,941
FITH magazine	18,214	-	-	18,214	-	-	-	18,214
Dues and subscriptions	11,965	-	-	11,965	-	-	-	11,965
Recognition	10,136	-	-	10,136	-	-	-	10,136
Telephone	10,327	-	-	10,327	-	-	-	10,327
Equipment rent	7,868	-	-	7,868	-	-	-	7,868
<b>Total Florida Expenses</b>	<b>\$ 1,539,193</b>	<b>\$ 595,392</b>	<b>\$ 6,828</b>	<b>\$ 2,141,413</b>	<b>\$ 219,173</b>	<b>\$ 285,576</b>	<b>\$ 504,749</b>	<b>\$ 2,646,162</b>

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, 2021**

	<b>California</b>							
	<b>Program Services</b>			<b>Supporting Services</b>				
	<b>Public Education</b>	<b>Trident House</b>	<b>California Expansion</b>	<b>Total Program Services</b>	<b>General Administration</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>
Salaries and wages	\$ -	\$ -	\$ 145,723	\$ 145,723	\$ 28,388	\$ 15,140	\$ 43,528	\$ 189,251
Professional fees	-	-	267,128	267,128	21,959	14,639	36,598	303,726
Insurance	-	-	-	-	1,181	4,724	5,905	5,905
Family support	-	223,503	-	223,503	-	-	-	223,503
Payroll taxes	-	-	9,772	9,772	1,904	1,015	2,919	12,691
Marketing and promotion	-	-	-	-	-	76,918	76,918	76,918
Office	-	-	-	-	4,459	11,136	15,595	15,595
Dues and subscriptions	-	-	-	-	-	1,230	1,230	1,230
Recognition	-	-	-	-	-	5,348	5,348	5,348
Depreciation	-	-	-	-	-	76	76	76
Travel	-	-	-	-	-	37,502	37,502	37,502
Other	-	-	-	-	2,963	1,975	4,938	4,938
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ 223,503</b>	<b>\$ 422,623</b>	<b>\$ 646,126</b>	<b>\$ 60,854</b>	<b>\$ 169,703</b>	<b>\$ 230,557</b>	<b>\$ 876,683</b>

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