

FORT CAMPBELL HISTORICAL
FOUNDATION, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2013

FORT CAMPBELL HISTORICAL FOUNDATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2013

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6-9



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fort Campbell Historical Foundation, Inc.
32 Screaming Eagle Blvd
Fort Campbell, KY 42223-5380

We have audited the accompanying financial statements of Fort Campbell Historical Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses and cash flows 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

One Source Accounting & Tax

Clarksville, Tennessee
March 3, 2014

FORT CAMPBELL HISTORICAL FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS

CURRENT ASSETS

Cash	\$ 200,738
Inventory	47,836
Total Current Assets	248,574

CASH - RESTRICTED

607,276

PROPERTY AND EQUIPMENT

Construction in Progress	11,514,093
Furniture and Equipment	19,080
Less: Accumulated Depreciation	(18,723)
Total Property and Equipment	11,514,450

Total Assets	\$ 12,370,300
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 685
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NET ASSETS

Unrestricted	11,714,833
Unrestricted - Board Designated	47,506
Temporarily Restricted	607,276
Permanently Restricted	-
Total Net Assets	12,369,615

Total Liabilities and Net Assets	\$ 12,370,300
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See accompanying notes and independent auditor's report.

FORT CAMPBELL HISTORICAL FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Unrestricted Net Assets	Unrestricted Board Designated Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Totals
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS</u>					
Contributions	\$ 3,685	\$ -	\$ 32,054	\$ -	\$ 35,739
Merchandise Sales	106,279	-	-	-	106,279
Membership Fees	11,822	-	-	-	11,822
Other Revenues	934	-	-	-	934
Interest Income	-	947	101	-	1,048
Net Assets Released from Restrictions	368,044	-	(368,044)	-	-
TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS	<u>490,764</u>	<u>947</u>	<u>(335,889)</u>	<u>-</u>	<u>155,822</u>
<u>EXPENSES</u>					
Program Services:					
Museum Support	7,983	-	-	-	7,983
Projects and Awards	2,726	-	-	-	2,726
Gift Shop Operations	124,792	-	-	-	124,792
Support Services:					
Management and General	305,056	-	-	-	305,056
Fundraising	6,416	-	-	-	6,416
TOTAL EXPENSES	<u>446,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>446,973</u>
NET INCREASE (DECREASE) IN NET ASSETS	43,791	947	(335,889)	-	(291,151)
NET ASSETS BEGINNING OF YEAR	<u>11,671,042</u>	<u>46,559</u>	<u>943,165</u>	<u>-</u>	<u>12,660,766</u>
NET ASSETS END OF YEAR	<u>\$ 11,714,833</u>	<u>\$ 47,506</u>	<u>\$ 607,276</u>	<u>\$ -</u>	<u>\$ 12,369,615</u>

See accompanying notes and independent auditor's report.

FORT CAMPBELL HISTORICAL FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Change in Net Assets	\$ (291,151)
Adjustments to Reconcile Change in Net Assets to Net Cash used by Operating Activities:	
Depreciation	587
Net Changes in:	
Inventory	3,495
Accounts Payable	<u>(143)</u>
Net Cash Used in Operating Activities	(287,212)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Additions to Construction in Progress	<u>(2,632)</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	(289,844)
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	<u>1,097,858</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 808,014</u>

See accompanying notes and independent auditor's report.

FORT CAMPBELL HISTORICAL FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Support Services</u>		<u>Program Services</u>			Total
	Management and General	Fund Raising	Museum Support	Projects and Awards	Gift Shop Operations	Functional Expenses
Accounting and Professional Fees	\$ 11,380	\$ -	\$ -	\$ -	\$ -	\$ 11,380
Advertising and Public Relations	7,469	6,416	3,331	-	-	17,216
Bank and Credit Card Charges	1,741	-	-	-	3,369	5,110
Contributions	-	-	-	1,206	-	1,206
Depreciation	587	-	-	-	-	587
Dues and Subscriptions	4,570	-	291	-	743	5,604
Exhibit Storage	45,967	-	-	-	-	45,967
Insurance	8,112	-	-	-	-	8,112
Internet	1,946	-	-	-	1,334	3,280
Merchandise Sold Costs	-	-	-	-	48,025	48,025
Meals and Entertainment	1,718	-	776	-	-	2,494
Miscellaneous	7,830	-	-	1,520	405	9,755
Office Equipment	318	-	-	-	-	318
Office Expense	5,807	-	-	-	-	5,807
Other Projects	-	-	1,169	-	-	1,169
Payroll	173,682	-	-	-	57,468	231,150
Payroll Expenses	13,287	-	-	-	4,396	17,683
Postage	2,955	-	214	-	3,021	6,190
Printing and Publication	2,248	-	-	-	-	2,248
Repairs and Maintenance	243	-	-	-	1,412	1,655
Supplies	-	-	2,137	-	2,305	4,442
Telephone	5,354	-	-	-	2,108	7,462
Travel	6,752	-	65	-	206	7,023
Utilities	3,090	-	-	-	-	3,090
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>\$ 305,056</u>	<u>\$ 6,416</u>	<u>\$ 7,983</u>	<u>\$ 2,726</u>	<u>\$ 124,792</u>	<u>\$ 446,973</u>

See accompanying notes and independent auditor's report.

FORT CAMPBELL HISTORICAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foundation - The Fort Campbell Historical Foundation, Inc. (the Foundation) is a not-for-profit organization devoted to supporting the operations of the Don F. Pratt Military Museum on Fort Campbell, KY. The Foundation is chartered in the state of Tennessee and recognized by the Internal Revenue Service as a 501(c)(3) not-for-profit organization. The Foundation is governed by a President/CEO and a self-appointed Board of Directors.

Nature of Activities - The Foundation's programs and services are as follows:

Museum Support - The Don F. Pratt Museum is owned and operated by Fort Campbell. The Foundation supports the operations of the museum through donated funds and proceeds from the gift shop.

Wings of Liberty Museum - The Foundation is charged with overseeing the fundraising for and construction of the Wings of Liberty Museum. The Wings of Liberty Museum is a multi-million dollar project to replace the Don F. Pratt Museum with a state of the art, interactive museum and educational facility dedicated to preserving the legacy and history of the 101st Airborne Division and Fort Campbell. Fundraising for the project started in 1998 and the facility is expected to cost approximately \$32.5 million. Upon completion, the museum will be donated to Fort Campbell.

Projects and Awards - The Foundation receives donations for and provides support for historical projects related to the museum. The Foundation also receives donations for and provides support for units and soldiers located on Fort Campbell or associated with the 101st Airborne Division.

Gift Shop Operations - In accordance with Army regulations, the Foundation is required to operate a gift shop at the Don F. Pratt Museum.

Basis of Accounting - The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Use of Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification Topic 958 "Not-For-Profit Entities," (FASB ASC 958). Under FASB ASC 958, the Foundation 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. FASB ASC 958 requires the Foundation to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets.

Net Assets - Under FASB ASC 958, the Foundation 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. Unrestricted net assets are not subject to donor-imposed restrictions. Temporarily restricted net assets are subject to donor-imposed restrictions that will be met either by actions of the Foundation or the passage of time. Permanently restricted net assets are subject to donor-imposed stipulations that limit or direct the use of the funds.

Contributions - The Foundation reports gifts of cash and other assets as restricted contributions when they are received with donor stipulations that limit the use of the donated assets. When the intent of the donor is that the assets are to remain in perpetuity and the Foundation does not have the right to invade the original principal, the assets are reported as permanently restricted. When a donor restriction expires (such as when a stipulated time restriction ends), temporarily restricted net assets are released to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Net assets are primarily released from donor restrictions when time or use restrictions are satisfied.

Donated Facilities - Fort Campbell allows the Foundation to use facilities on post for its operations. The facilities are not available for rent by the general public. As such, no amounts have been reflected in the accompanying financial statements for the rental value.

Donated Property and Equipment - Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment must be reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Cash and Cash Equivalents - Cash and cash equivalents consist of short-term investments with an original maturity of three months or less, cash on deposit, money market funds and certificates of deposit.

Restricted Cash - The Foundation's restricted cash consists of cash contributions that are subject to donor imposed stipulations as to the timing or manner of use.

Financial Instruments - The Foundation's significant financial instruments are cash. Carrying values approximate fair value.

Inventory - Inventory, consisting of gift shop merchandise and print inventory, is stated at the lower of cost or market value determined on a first-in, first-out basis.

Property and Equipment - Property and equipment are generally carried at cost. Depreciation is computed using the straight-line method. Donated assets are recorded at their fair market value

at the date of donation. The Foundation's policy is to capitalize assets with a useful life of over one year costing \$500 or more. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized for the period. The cost of repairs and maintenance is charged to expense as incurred.

Advertising - The Foundation uses advertising to promote its programs among the audience it serves. Advertising costs are expenses as incurred. During 2013, advertising costs totaled \$17,216.

Income Tax Status - The Foundation is a nonprofit corporation classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) and as a public charity under Section 170(b)(1)(A)(vi) of the Internal Revenue Code. A provision for income taxes is not required.

Date of Management's Review - Subsequent events have been evaluated through March 3, 2014, which is the date the financial statements were available to be issued.

2. PROPERTY AND EQUIPMENT

Changes in Property and Equipment were as follows:

	Balance 12/31/12	Additions	Deletions	Balance 12/31/13
Construction in Progress	\$ 11,511,461	\$ 2,632	\$ -	\$ 11,514,093
Equipment	19,080	-	-	19,080
Less: Accumulated Depreciation	18,136	587	-	18,723
Net Property and Equipment	<u>\$ 11,512,405</u>	<u>\$ 2,045</u>	<u>\$ -</u>	<u>\$ 11,514,450</u>

Construction in progress consists of pre-construction and exhibit costs associated with the Wings of Liberty Museum project. Upon completion, the Foundation will transfer the museum to Fort Campbell.

The Foundation utilizes office space under license with the Department of the Army. The five year license expires on December 31, 2017, and is furnished at no cost to the Foundation. The license also includes approximately 33 acres of land to be used for the Wings of Liberty Museum. The value of this contract is not included in these financial statements.

3. BOARD DESIGNATED NET ASSETS

The Board has approved a program to set aside funds from interest earning accounts to support the future operations of the Foundation and construction of the Wing of Liberty Military Museum. Interest earnings are maintained in the account. Board approval is required for distributions from the fund.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include donations and grants received by the Foundation for a specific purpose. Donations are maintained in cash accounts until the restrictions have been satisfied.

The following summarizes temporarily restricted net assets at December 31, 2013:

Wings of Liberty Museum - Construction	\$	572,791
Museum Support		18,468
Brick Sales		<u>16,017</u>
Total Temporarily Restricted Net Assets	\$	<u><u>607,276</u></u>

5. GIFT SHOP OPERATIONS

In accordance with Army regulations, the Foundation is required to operate a gift shop at the Don F. Pratt Museum. The gift shop sells memorabilia of the 101st Airborne Division and other units operating on Fort Campbell. Income and expenses for the gift shop for the year ended December 31, 2013 were as follows:

Sales	\$	105,770
Cost of Sales		<u>(48,025)</u>
Gross Profit		57,745
Operating Expenses		<u>(76,767)</u>
Net Margin	\$	<u><u>(19,022)</u></u>

Sales revenue and costs of sales are reported net of discounts, estimated returns and sales taxes.

6. CONCENTRATIONS OF CREDIT RISK

The Foundation has concentrated its credit risk for cash by maintaining deposits in banks located in the same geographic region. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2013, the Foundation had no deposits above the limit. The Foundation also has funds of \$528,890 designated as public funds. The funds are held as part of the Tennessee Collateral Pool and are fully insured.