

FLIGHT TEST HISTORICAL FOUNDATION

FINANCIAL STATEMENTS

**For the Years Ended
September 30, 2022 and 2021**

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FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Flight Test Historical Foundation

Opinion

We have audited the accompanying financial statements of Flight Test Historical Foundation (a California corporation), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flight Test Historical Foundation as of September 30, 2022 and 2021, and the results of operations and its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Flight Test Historical Foundation 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 to provide a basis for our audit opinion.

Responsibilities of Management 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.

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 Flight Test Historical Foundation's ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Flight Test Historical Foundation'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 Flight Test Historical Foundation's ability to continue as a going concern for a reasonable period of time.

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.

Cobb, Doerfler & Associates, CPA

COBB, DOERFLER & ASSOCIATES, CPA
October 27, 2023

FLIGHT TEST HISTORICAL FOUNDATION
STATEMENTS OF FINANCIAL POSITION
September 30, 2022 and 2021

ASSETS

| | 2022 | 2021 |
|--|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 506,422 | \$ 672,402 |
| Investments | -0- | 365,183 |
| Contributions receivable | -0- | 17,898 |
| Prepaid expenses | 5,007 | 3,118 |
| Inventory | <u>45,316</u> | <u>42,570</u> |
| Total Current Assets | <u>556,745</u> | <u>1,101,171</u> |
| FIXED ASSETS | | |
| AFFTC mural | 20,000 | 20,000 |
| Office equipment | 33,797 | 22,190 |
| Machinery and equipment | 10,743 | 10,743 |
| Building - Blackbird | 159,944 | 134,324 |
| Construction in progress | 3,100,853 | 2,003,317 |
| Accumulated depreciation | <u>(178,702)</u> | <u>(171,025)</u> |
| Total Fixed Assets | <u>3,146,635</u> | <u>2,019,549</u> |
| OTHER ASSETS | | |
| Board designated - cash | 112,702 | 198,256 |
| Cash - restricted for construction of museum | -0- | 441,712 |
| Collections | 23,819 | 23,819 |
| Security deposit | <u>500</u> | <u>500</u> |
| Total Other Assets | <u>137,021</u> | <u>664,287</u> |
| Total Assets | <u>\$ 3,840,401</u> | <u>\$ 3,785,007</u> |

FLIGHT TEST HISTORICAL FOUNDATION
STATEMENTS OF FINANCIAL POSITION
September 30, 2022 and 2021

LIABILITIES AND NET ASSETS

| | 2022 | 2021 |
|---|-------------------------|-------------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 7,916 | \$ 5,818 |
| Sales tax payable | 2,371 | 3,684 |
| Accrued payroll liabilities | 3,009 | 2,640 |
| Deferred revenue | <u>24,200</u> | <u>25,150</u> |
| Total Current Liabilities | <u>37,496</u> | <u>37,292</u> |
| Total Liabilities | <u>37,496</u> | <u>37,292</u> |
| NET ASSETS | | |
| Without donor restrictions | | |
| Board designated | 112,702 | 198,256 |
| Undesignated | <u>1,016,405</u> | <u>1,048,033</u> |
| Total net assets without donor restrictions | 1,129,107 | 1,246,289 |
| With donor restrictions | <u>2,673,798</u> | <u>2,501,426</u> |
| Total Net Assets | <u>3,802,905</u> | <u>3,747,715</u> |
| Total Liabilities and Net Assets | <u>\$ 3,840,401</u> | <u>\$ 3,785,007</u> |

FLIGHT TEST HISTORICAL FOUNDATION
STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2022 and 2021

| | 2022 | 2021 |
|---|---------------------|---------------------|
| NET ASSETS WITHOUT DONOR RESTRICTIONS | | |
| Support and Revenue | | |
| Merchandise sales | \$ 121,004 | \$ 41,215 |
| Less: cost of merchandise sales | <u>(41,917)</u> | <u>(20,898)</u> |
| Net merchandise sales | 79,087 | 20,317 |
| Donations and memberships | 77,095 | 62,989 |
| In-kind donations | 20,000 | -0- |
| Special events | 48,601 | 40,006 |
| Dividends and interest | 20,622 | 9,298 |
| Debt forgiveness income | -0- | 23,336 |
| Gains/(losses) on investments | <u>(120,295)</u> | <u>42,949</u> |
| Total Support and Revenue Without Donor Restrictions | 125,110 | 198,895 |
| Net Assets Released From Restrictions | | |
| Restrictions satisfied by payments | <u>43,859</u> | <u>500</u> |
| Total Support, Revenues and Other Support Without Donor Restrictions | <u>168,969</u> | <u>199,395</u> |
| EXPENSES AND LOSSES | | |
| Expenses | | |
| Program services | 195,916 | 78,172 |
| Supporting services | | |
| Management and general | 43,658 | 61,156 |
| Fundraising | <u>46,577</u> | <u>27,580</u> |
| Total Expenses | <u>286,151</u> | <u>166,908</u> |
| (Decrease) Increase in Net Assets Without Donor Restriction: | (117,182) | 32,487 |
| NET ASSET WITH DONOR RESTRICTIONS | | |
| Donations and grants | 216,231 | 47,000 |
| Increase(Decrease) in Net Assets | <u>(43,859)</u> | <u>(500)</u> |
| Increase in Net Assets With Donor Restrictions | <u>172,372</u> | <u>46,500</u> |
| Increase in Net Assets | 55,190 | 78,987 |
| Net Assets - Beginning | <u>3,747,715</u> | <u>3,668,728</u> |
| Net Assets - Ending | <u>\$ 3,802,905</u> | <u>\$ 3,747,715</u> |

FLIGHT TEST HISTORICAL FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended September 30, 2022 and 2021

| | 2022 | | | | 2021 | | | |
|----------------------------------|---------------------|-------------------------|-------------|------------|---------------------|-------------------------|-------------|------------|
| | Program Services | Support Services | | Total | Program Services | Support Services | | Total |
| | | Management & General | Fundraising | | | Management & General | Fundraising | |
| Office salaries | \$ 45,060 | \$ -0- | \$ 37,533 | \$ 82,593 | \$ 24,622 | \$ 22,308 | \$ 22,308 | \$ 69,238 |
| Employee benefits | 6,204 | -0- | 5,168 | 11,372 | 3,832 | 3,472 | 3,472 | 10,776 |
| Total Salaries and Related Costs | 51,264 | -0- | 42,701 | 93,965 | 28,454 | 25,780 | 25,780 | 80,014 |
| Audit and bookkeeping services | -0- | 24,410 | -0- | 24,410 | -0- | 17,175 | -0- | 17,175 |
| Bank and merchant service fees | 6,965 | 51 | -0- | 7,016 | 4,227 | 70 | -0- | 4,297 |
| Depreciation | 7,677 | -0- | -0- | 7,677 | 6,429 | 287 | -0- | 6,716 |
| Insurance | 6,229 | 4,153 | -0- | 10,382 | 4,558 | 3,039 | -0- | 7,597 |
| Meeting and conferences | -0- | 2,962 | -0- | 2,962 | -0- | 3,214 | -0- | 3,214 |
| Office expense | -0- | 1,788 | -0- | 1,788 | -0- | 1,136 | -0- | 1,136 |
| Outreach | 150 | -0- | -0- | 150 | 150 | -0- | -0- | 150 |
| Postage and printing | -0- | 114 | -0- | 114 | -0- | 100 | -0- | 100 |
| Professional fees | 62,817 | -0- | -0- | 62,817 | 15,009 | -0- | -0- | 15,009 |
| Scholarships | 39,643 | -0- | -0- | 39,643 | 6,002 | -0- | -0- | 6,002 |
| Special events | 11,626 | -0- | 3,876 | 15,502 | 5,396 | -0- | 1,800 | 7,196 |
| Supplies | 4,988 | 640 | -0- | 5,628 | 4,664 | 713 | -0- | 5,377 |
| Telephone and utilities | 4,557 | -0- | -0- | 4,557 | 3,283 | -0- | -0- | 3,283 |
| Travel | -0- | 377 | -0- | 377 | -0- | -0- | -0- | -0- |
| Website and internet | -0- | 9,163 | -0- | 9,163 | -0- | 9,642 | -0- | 9,642 |
| Total | \$ 195,916 | \$ 43,658 | \$ 46,577 | \$ 286,151 | \$ 78,172 | \$ 61,156 | \$ 27,580 | \$ 166,908 |

FLIGHT TEST HISTORICAL FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2022 and 2021

| | 2022 | 2021 |
|---|-------------------|---------------------|
| CASH FLOWS PROVIDED BY OPERATING ACTIVITIES | | |
| Change in net assets | \$ 55,190 | \$ 78,987 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation | 7,677 | 6,716 |
| Unrealized (gain) loss on market value of investment | 168 | 6,606 |
| Gain or loss on sale of investments | 120,295 | -0- |
| In-kind donation | (20,000) | -0- |
| Debt forgiveness income | -0- | (23,336) |
| (Increase) Decrease in: | | |
| Prepaid expenses | (1,889) | 3,036 |
| Contributions receivable | 17,898 | 182,102 |
| Inventory | (2,746) | 392 |
| Increase (Decrease) in: | | |
| Accounts payable | 2,098 | 1,977 |
| Sales tax payable | (1,313) | 3,684 |
| Accrued payroll liabilities | 369 | 390 |
| Deferred income | (950) | 25,150 |
| | <u>176,797</u> | <u>285,704</u> |
| Net Cash Provided by Operating Activities | | |
| CASH FLOWS (USED) PROVIDED BY INVESTING ACTIVITIES | | |
| Purchase of investments | (20,790) | (657,543) |
| Purchase of fixed assets | (17,227) | -0- |
| Additions to construction in progress | (1,097,536) | (20,175) |
| Proceeds from sale of investments | 265,510 | 840,001 |
| | <u>(870,043)</u> | <u>162,283</u> |
| Net Cash (Used) Provided by Investing Activities | | |
| Net (Decrease) Increase in Cash and Cash Equivalents | (693,246) | 447,987 |
| Cash and Cash Equivalents at Beginning of Year | <u>1,312,370</u> | <u>864,383</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 619,124</u> | <u>\$ 1,312,370</u> |
| Reconciliation of Cash and Cash Equivalents to Statements of Financial Position | | |
| Cash and cash equivalents | \$ 506,422 | \$ 672,402 |
| Board designated - cash | 112,702 | 198,256 |
| Cash - restriction for construction of museum | -0- | 441,712 |
| | <u>\$ 619,124</u> | <u>\$ 1,312,370</u> |
| Total Cash and Cash Equivalents per Statements of Financial Position | | |
| SUPPLEMENTAL DISCLOSURES: | | |
| Interest paid | \$ 70 | \$ 70 |
| Schedule of Noncash Investing and Financing Transactions: | | |
| Forgiveness of SBA PPP note payable | \$ -0- | \$ 23,336 |
| Donation of building | \$ 20,000 | \$ -0- |

FLIGHT TEST HISTORICAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF ACTIVITIES

1. *Nature of Activities* – Flight Test Historical Foundation (the “Foundation”) is dedicated to the preservation of the history of flight testing and aerospace development. The Foundation is the primary funding source for the ongoing construction of a permanent home for the Air Force Flight Test Center Museum at Edwards Air Force Base and the Blackbird Airpark located in Palmdale, California. The primary sources of revenue are private and corporate donations, gift shop sales, and fundraising events. At present, the Foundation operates a museum and gift shop at both Edwards Air Force Base and at the Blackbird Airpark.
2. *Basis of Accounting* – The financial statements of the Flight Test Historical Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.
3. *Basis of Presentation* - The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

With Donor Restrictions – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Foundation or the passage of time or are subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Foundation.

As of September 30, 2022 and 2021, the Foundation had net assets with donor restrictions of \$2,673,798 and \$2,501,426, respectively.

4. *Use of Estimates* – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
5. *Investments* – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.
6. *Contributions Receivable* - Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.
7. *Inventory* – Inventory consists principally of merchandise sold at the museum gift shops and is stated at the lower of cost or market value with cost determined using the first-in, first-out method. For the years ended September 30, 2022 and 2021, there were no allowances related to the obsolescence of inventories.

FLIGHT TEST HISTORICAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS - continued
September 30, 2022 and 2021

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF ACTIVITIES — continued

8. *Property and Equipment* – Property and equipment are stated at cost if purchased, or at fair market value if donated. When an asset is sold or retired, its cost and related accumulated depreciation are eliminated from both the asset and the accumulated depreciation accounts, respectively. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Depreciation expense for the years ended September 30, 2022 and 2021 amounted to \$7,677 and \$6,716, respectively.
9. *Collections* – The Foundation capitalizes its collections. Accessions are capitalized at cost if purchased and at appraised or fair value at date of accession if received by donation. Gains and losses on de-accessions of donated collections are recorded based on the presence or absence of donor restrictions placed on items at the date of donation. The proceeds from deaccession of collection items may be used for acquisitions of new collection items or the direct care of existing collections. The Foundation acquired the Stapp picture at a cost of \$5,000 during the year ended September 30, 2001. The fair market value of the picture was approximately \$20,000. The difference between the purchase price and the fair market value is recorded as donated assets on the statement of activities. The Foundation acquired the "Smilin' Jack" comic strips during the year ended September 30, 2002 at a cost of \$3,350. During the year ended September 30, 2013, the Foundation acquired a number of R.G. Smith drawings for approximately \$469.
10. *Designation of Net Assets Without Donor Restrictions* – It is the policy of the Board of Directors of the Foundation to review its plans for future property improvements and acquisitions from time to time and to designate appropriate sums of unrestricted net assets to assure adequate financing of such improvements and acquisitions.
11. *Revenue with and without Donor Restrictions* – Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.
12. *Revenue recognition* – The Foundation recognizes certain revenue under Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (ASC 606). The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model is outlined below:
 - Step 1: Identify the contract(s) with a customer.
 - Step 2: Identify the performance obligations in the contract.
 - Step 3: Determine the transaction price.
 - Step 4: Allocate the transaction price to the performance obligations in the contract.
 - Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Accordingly, the following revenue streams are within the scope of ASC 606:

Merchandise Sales – Sales of giftshop merchandise are recorded as revenue at the point in time the item is purchased by a customer. Payments for merchandise sales are received at the time of purchase.

Special events income – Amounts received as registration for future events are recognized as revenue at the point in time when the event occurs. Amounts received in advance are recorded as deferred revenue until the event occurs.

FLIGHT TEST HISTORICAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS - continued
September 30, 2022 and 2021

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF ACTIVITIES – continued

12. *Revenue recognition* – continued

Disaggregation of Revenue For the years ended September 30:

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------|-------------------|------------------|
| Revenue recognized at a point in time | \$ 127,688 | \$ 60,323 |
| Revenue recognized over time | <u>-0-</u> | <u>-0-</u> |
| Total operating revenue: | <u>\$ 127,688</u> | <u>\$ 60,323</u> |

Contract liabilities – Contract liabilities include amounts paid by customers for which goods or services have not yet been provided and are included in deferred revenue. As of September 30, 2022 and 2021, deferred revenue of \$24,200 and \$25,150, respectively, was recognized under ASC 606.

Contract assets – Contract assets include amounts receivable to the Foundation for which goods and services have been provided and are included in accounts receivable. As of September 30, 2022 and 2021, no significant receivables related to revenue were recognized under ASC 606.

Contract costs - Contract costs generally include direct costs such as compensation expenses for program personnel and other direct costs incurred including costs of materials and indirect costs identifiable with and allocable to the contract program. Costs are expensed as incurred. The Foundation does not incur significant incremental costs for obtaining contracts.

The following revenue streams are outside the scope of ASC 606:

Contributions and Memberships – The Foundation recognizes all contributions and in-substance contributions such as memberships, including unconditional promises to give, as support in the period pledged or received. Contributions restricted as to their use are recognized as net assets with donor restrictions until these funds have been disbursed or committed as the donor intended. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

Other income – Consists mostly of dividends, interest, investment gains/losses, and debt forgiveness income. Dividends are recorded as revenue when declared, interest is recognized ratably over the period earned, and investment gains and losses are recognized when the change in the underlying fair value of the investment occurs. Debt forgiveness income is recognized when official notification is received from the lender.

13. *Expense Allocation* – The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and reported in detail in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include depreciation, which is allocated based on location and use of assets, as well as personnel costs, insurance, and expenses related to special events, which are allocated on the basis of estimated time and effort. All other expenses have been directly allocated to the function for which they were incurred.
14. *Cash and Cash Equivalents* – For purposes of the statement of cash flows, the Foundation considers all cash on hand, cash in banks, certificates of deposit, and highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

**FLIGHT TEST HISTORICAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS -continued
September 30, 2022 and 2021**

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF ACTIVITIES — continued

15. *Concentration of Risk* – During the years ended September 30, 2022 and 2021, the Foundation maintained investment accounts with Kestra Financial Services and SEI Investments Management Corporation (SEI), respectively. The accounts contain cash and securities. Balances are insured up to \$500,000 (with a limit of \$250,000 for cash) by the Securities Investor Protection Corporation against the risk of theft or risk of brokerage failure. At September 30, 2022, \$42,149 was uninsured. At September 30, 2021, the accounts at SEI represented \$292,149, or 8%, of the Foundation's assets. At September 30, 2021, \$142,246 was uninsured and the accounts at SEI represented \$722,937, or 19%, of the Foundation's assets.

16. *Concentration of Risk (continued)* - Due to this fact, the Foundation's Statement of Financial Position is exposed to fluctuations in the market value of these securities and other associated risks.

Amounts on deposit at a single financial institution occasionally exceed the \$250,000 federally insured limit. At September 30, 2022 and 2021, \$73,202 and \$697,072, respectively, were uninsured.

17. *Income Taxes* – Flight Test Historical Foundation is exempt from Federal and California income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(D), respectively. No provision for income tax was made in the current period.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Foundation in its federal and state exempt organizations tax returns are more likely than not to be sustained upon examination. The Foundation returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

18. *Sales Taxes* – The State of California imposes a sales tax of 7.25% on all of the Foundation's sales to nonexempt customers. All sales made in the City of Palmdale are subject to an additional 3.00% combined county and city sales tax. The Foundation collects that sales tax from customers and remits the entire amount to the State. The Foundation's policy is to report sales net of the tax collected and remitted to the State. For the years ended September 30, 2022 and 2021, the Foundation's revenues were reported net of sales taxes collected and remitted of \$8,370 and \$2,808, respectively.

NOTE B – LIQUIDITY

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the financial position date.

| | 2022 | 2021 |
|--|------------|--------------|
| Financial assets at year-end | \$ 619,124 | \$ 1,695,451 |
| Less those unavailable for general expenditure within one year due to: | | |
| Contractual or donor-imposed restrictions | (127,538) | (498,109) |
| Board designations | (112,702) | (198,256) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 378,884 | \$ 999,086 |

As part of the Foundations liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of requirements in various types of investments including mutual funds, ETF's and common stocks as detailed in Note C.

FLIGHT TEST HISTORICAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS -continued
September 30, 2022 and 2021

NOTE C – INVESTMENTS AND BOARD DESIGNATED INVESTMENTS

The fair value of financial instruments has been determined through quoted market values to approximate the amounts recorded in the statement of financial position. Investments in marketable securities consist of the following at September 30, 2022 and 2021:

| | 2022 | | 2021 | |
|-------------------------------|---------------|-------------------------|-------------------|-------------------------|
| | Cost | Fair Market Value | Cost | Fair Market Value |
| Investments: | | | | |
| Domestic equities | \$ -0- | \$ -0- | \$ 259,054 | \$ 282,697 |
| International equities | -0- | -0- | 53,357 | 53,106 |
| Real estate investment trusts | -0- | -0- | 31,801 | 29,380 |
| | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 344,212</u> | <u>\$ 365,183</u> |

Investment return consists of the following:

| | | |
|--|--------------------|------------------|
| Investment income | \$ 20,790 | \$ 46,427 |
| Net realized and unrealized gain/ (loss) on investments | (120,295) | 6,606 |
| Less custodial fees | (168) | (786) |
| | <u>\$ (99,673)</u> | <u>\$ 52,247</u> |

FLIGHT TEST HISTORICAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS -continued
September 30, 2022 and 2021

NOTE D – CONSTRUCTION IN PROGRESS

The Foundation is currently in the process of constructing a new 75,000 square foot museum on Edwards Air Force Base immediately outside of the west gate. Upon the completing of the museum the structure will be donated to the Air Force, and used for the purpose of housing exhibits related to the over 75 years of flight tests, aerospace, and technological developments at Edwards Air Force Base, NASA Armstrong Flight Research Center, Plant 42 and Aerospace Valley. At September 30, 2022 and 2021 construction in progress related to the museum totaled \$3,100,853 and \$2,003,317, respectively. At September 30, 2022 and 2021, the Foundation had an outstanding contractual commitment related to the construction of the Museum totaling \$306,000 and \$-0-, respectively.

NOTE E – LONG-TERM DEBT PAYABLE

The Foundation had a note outstanding from Wells Fargo SBA Lending which was a note under the SBA Payroll Protection Program (PPP) for \$23,336. Under the program if certain terms were met, the entire note was forgivable. On May 8, 2021 the Foundation applied for forgiveness of the note under the terms of the program, and the note was forgiven.

NOTE F – BOARD DESIGNATED NET ASSETS AND CASH

At September 30, 2022 and 2021, board designated net assets were available for use as follows:

| | 2022 | 2021 |
|----------------------------|------------|------------|
| Construction of new museum | \$ 112,702 | \$ 198,256 |
| | \$ 112,702 | \$ 198,256 |

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

At September 30, 2022 and 2021, net assets with donor restrictions were available for use as follows:

| | 2022 | 2021 |
|-------------------------------|--------------|--------------|
| Aircraft restoration projects | \$ 9,897 | \$ 9,897 |
| STEM educational program | 117,641 | 46,500 |
| Construction of new museum | 2,546,260 | 2,445,029 |
| | \$ 2,673,798 | \$ 2,501,426 |

As of September 30, 2022, the balance of net assets restricted for the construction of the museum consisted of construction in progress of \$2,546,260. For the year ended September 30, 2021 the balance consisted of cash of \$441,712 and construction in progress of \$2,003,317, respectively.

**FLIGHT TEST HISTORICAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS -continued
September 30, 2022 and 2021**

NOTE H – ASSETS RELEASED FROM BOARD DESIGNATIONS

Net assets were released from board designations by incurring expenses satisfying designated purposes during the fiscal year ended September 30, 2022 and 2021 as follows:

| | 2022 | 2021 |
|------------------------|-----------|-----------|
| Construction of museum | \$ 85,554 | \$ 27,517 |
| | \$ 85,554 | \$ 27,517 |

NOTE I – ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying restricted purposes during the fiscal year ended September 30, 2022 and 2021 as follows:

| | 2022 | 2021 |
|--------------------------|-----------|--------|
| STEM educational program | \$ 38,859 | \$ 500 |
| STEM scholarships | 5,000 | -0- |
| | \$ 43,859 | \$ 500 |

NOTE J — MERCHANDISE COST OF SALES

The following relates to merchandise cost of sales:

| | 2022 | 2021 |
|------------------------|-----------|-----------|
| Beginning Inventory | \$ 42,570 | \$ 42,962 |
| Plus: Purchases | 44,663 | 20,506 |
| Inventory available | 87,233 | 63,468 |
| Less: Ending Inventory | (45,316) | (42,570) |
| Cost of Sales | \$ 41,917 | \$ 20,898 |

NOTE K — DONATED FACILITIES, SERVICES, AND MATERIALS

A reasonable valuation has been applied to donated facilities, services, and materials when the fair value of those donations is readily determinable. Many individuals volunteer their time and perform a variety of tasks that assist the Foundation in its functions that do not meet the criteria for recognition. No value has been recognized in the financial statements for the donated services or for donated use of the gift shop facilities at Edwards Air Force Base or the use of the land at the Blackbird Airpark in Palmdale, CA as the fair value of those facilities could not be readily determined.

During the year ended September 30, 2022, the Foundation received a donation of a modular classroom valued at \$20,000. The Foundation has chosen to use the classroom in its STEM programs held at the Blackbird Airpark in Palmdale, CA.

FLIGHT TEST HISTORICAL FOUNDATION
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NOTE L – CONCENTRATION OF RISK

Substantially all of the Foundation's gift shop sales occur at its gift shops located at Edwards Air Force Base and at the Blackbird Airpark located in Palmdale, CA. During the years ended September 30, 2022 and 2021, net sales represented approximately 23% and 8%, respectively, of the Foundation's reported support and revenue. In addition, the museum and many of the special events were hosted at various locations on Edwards Air Force Base. Should the Foundation be unable to continue to conduct its operations on the Base, its operations may be adversely affected.

NOTE M – IMPLEMENTATION OF NEW FINANCIAL ACCOUNTING STANDARDS BOARD (FASB) PRONOUNCEMENTS

Starting in May of 2014 the Financial Accounting Standards Board issued a series of pronouncements affecting the accounting for contracts with customers and creating the Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers. These pronouncements affect the timing of the recognition of revenue associated with contracts with customers, particularly when multiple performance obligations exist. In the case of the Foundation two different performance obligations exist within the existing revenue structure.

The first of these obligations relates to the sale of gift shop merchandise to visitors at the museum or at the Blackbird Airpark. Under Topic 606, the accounting for gift shop sales has not changed. The gift shop sales are recognized as revenue when they occur, which is generally the same time that payment is received.

Foundation also receives payments from attendees of its special events which are intended to support the activities of the museum. Under Topic 606, the accounting for special events has not changed. The revenues related to the special event are recognized when the event occurs, and the attendees/sponsors have received substantially all of the benefits that they expected to receive from the event.

The Foundation adopted the requirements of the new guidance as of October 1, 2020, using the modified retrospective method of transition, which requires the cumulative effect of the changes related to the adoption to be charged to the beginning net asset balance. The Foundation applied the new guidance using the practical expedient method allowed in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of October 1, 2020. The effect of this guidance had no impact on the beginning net asset balance and contract liability balances at October 1, 2020.

NOTE N – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 27, 2023, the date the financial statements were available to be issued. No events were identified by management that would warrant disclosure.