

PBY MEMORIAL FOUNDATION

Financial Statements  
For the year ended  
December 31, 2016

PBY Memorial Foundation

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December 31, 2016

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Independent Accountant's Compilation Report

Wil Shellenberger

PBY Memorial Foundation  
PO Box 941  
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Management is responsible for the accompanying financial statements of the PBY Memorial Foundation, which comprise the statement of assets, liabilities, and net assets (cash basis), and related statement of support, revenue, and expenses cash basis as of December 31, 2016 and the for the year then ended in accordance with accounting principles generally accepted in the United States of America. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The supplementary information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been compiled from information that is the representation of management. I have not audited or reviewed the supplementary information and, accordingly, do not express an opinion or provide any assurance on such supplementary information.



John J. Lee, CPA  
June 1, 2017

PBY MEMORIAL FOUNDATION  
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - CASH BASIS  
FOR YEAR  
ENDED DECEMBER 31, 2016

ASSETS		
Current Assets		
Cash-Peoples	\$	16,781
Savings		14,840
Cash box		320
Total Current Assets		<u>\$ 31,941</u>
Museum Collection		734,000
Fixed Assets PP&E		
Leasehold Improvements		62,136
Machinery and Equipment		42,328
Less: Current Depreciation		<u>(28,961)</u>
Total Plant, Property and Equipment		75,503
TOTAL ASSETS		<u><u>\$ 841,444</u></u>
Current Liabilities		
Sales Tax Payable	\$	1,158
Total Current Liabilities		<u>\$ 1,158</u>
TOTAL LIABILITIES		<u>1,158</u>
NET ASSETS/FUND BALANCE		
Unrestricted		89,176
Temporarily restricted		17,110
Permanently restricted		<u>734,000</u>
		<u>840,286</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$841,444</u></u>

See Independent accountant's compilation report and accompanying notes

PBY MEMORIAL FOUNDATION  
STATEMENT OF SUPPORT, REVENUE AND EXPENSES - CASH BASIS  
FOR YEAR ENDED  
DECEMBER 31, 2016

UNRESTRICTED NET ASSETS		
Income	Museum Admission Fees	\$ 21,457
	Gift Shop Income	13,275
	Less: COST OF GOODS SOLD	<u>(4,976)</u>
GROSS PROFIT		\$ 29,756
SUPPORT		
	Unrestricted Donations	57,453
	Government Grants	21,355
	Grants	9,600
	Membership Dues	<u>9,223</u>
TOTAL SUPPORT		97,631
OTHER		
	Special Events	2,947
	Raffles	1,762
	Misc Revenue & Interest Income	<u>331</u>
TOTAL OTHER SUPPORT		<u>5,040</u>
TOTAL UNRESTRICTED SUPPORT		132,427
Net assets released from restrictions		21,632
TOTAL UNRESTRICTED REVENUES AND OTHER SUPPORT		154,059
EXPENSES		
	Program Services	147,792
	Management and general	10,338
	Fundraising	<u>10,328</u>
TOTAL EXPENSES		168,458
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS		<u>(14,399)</u>
TEMPORARILY RESTRICTED NET ASSETS		
	Donations	6,225
	Interest Income	18
	Grants	<u>25,000</u>
TOTAL SUPPORT		31,243
Net assets released from restrictions		-21,632
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS		<u>9,611</u>
INCREASE (DECREASE) IN NET ASSETS		-4,788
NET ASSETS, beginning of year		1,331,074
Prior period adjustment for value of collecton items		<u>(486,000)</u>
NET ASSETS, end of year		<u><u>\$840,286</u></u>

See independent accountant's compilation report and accompanying notes

PBY MEMORIAL FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PBY Memorial Foundation is a Washington not-for-profit corporation whose purpose is the preservation of Naval Aviation History, specifically the PBY Seaplane, inclusive of all naval aviation history attached to the Naval Air Station at Whidbey Island. The history is displayed at the Foundation's museum through photos, aircraft models, artifacts and other treasures.

DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 2, 2017, the date that the financial statements were available to be issued.

PROMISES TO GIVE

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

CASH AND CASH EQUIVALENTS

For the purpose of the Statement of Assets, Liabilities, and Net Assets – Cash Basis, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

THE METHOD OF ACCOUNTING

The method of accounting used is the cash basis of accounting and accordingly, reflects all cash transactions for the year. Liabilities are cash that is withheld for state sales tax.

EXPENSE ALLOCATION

The cost of providing various programs and other activities has been summarized on a functional basis in the Statement of Support, Revenue and Expenses-Cash Basis and in the supplementary Statement of Functional Expenses-Cash Basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

PBY MEMORIAL FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

ESTIMATES

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

FEDERAL INCOME TAXES

The organization is a nonprofit organization exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code. Accordingly, no provision for income tax is reflected in these financial statements.

MUSEUM COLLECTION

The organization has elected to capitalize purchases to its display collection.

PLANT, PROPERTY AND EQUIPMENT

Plant, Property and Equipment acquired by PBY Memorial Foundation are considered to be owned by PBY Memorial Foundation. PBY Memorial Foundation capitalizes at cost all long-lived assets. Depreciation is provided on equipment over a useful life of 5 years on the double declining balance method.

ADVERTISING EXPENSE

PBY Memorial Foundation expenses advertising costs as incurred. Advertising expense for the year ended December 31, 2016 was approximately \$14,962.

NOTE 3 - FACILITY LEASE

The organization has leased a facility at 270 SE Pioneer Drive Oak Harbor and several nearby buildings.

The Lease payments are as follows:	<u>per month</u>
270 SE Pioneer Drive Oak Harbor	\$5,850 year 3 of 5 2 year option
Warehouse behind Museum	825 year 5 of 6 2 year option
Display area across street	515 year 3 of 4
Library across street	700 year 3 of 4 2 year option

PBY MEMORIAL FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

Note 3 – FACILITY LEASE (continued)

Minimum Lease Payments

2017	\$ 94,080
2018	<u>97,680</u>

Total	\$ <u>191,760</u>
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NOTE 4 – PRIOR PERIOD ADJUSTMENT

In 2016, the organization reduced the value of its collection by \$ 486,000.



SUPPLEMENTARY INFORMATION

PBY MEMORIAL FOUNDATION  
 SUPPLEMENTARY SCHEDULE I  
 STATEMENT OF FUNCTIONAL EXPENSES - CASH BASIS  
 FOR YEAR ENDED DECEMBER 31, 2016

	Program Services	Management Fund and General Raising		Total
Advertising	\$ 14,962	\$ -	\$ -	\$ 14,962
Rent/Leases	80,700	-	-	80,700
Bank Charges	1,068	101	-	1,169
Depreciation	8,763	-	-	8,763
Dues and Subscriptions	-	285	-	285
Professional Org Membership	-	155	-	155
Event Expense	-	-	8,780	8,780
NVG Project	3,131	-	-	3,131
Information Technology	7,948	-	-	7,948
Security	-	158	-	158
Maintenance	512	-	-	512
Office	-	3,891	-	3,891
Postage	1,548	1,548	1,548	4,644
Printing & Pubs	1,502	-	-	1,502
Gas & Mileage	135	-	-	135
Insurance	2,889	1,540	-	4,429
Legal and Accounting	-	2,505	-	2,505
Utilities & Telephon	6,788	-	-	6,788
Uniform Items	1,303	-	-	1,303
Misc & Gifts	1,000	155	-	1,155
Restoration and Preservation	7,395	-	-	7,395
Artifacts	7,485	-	-	7,485
PBY Relocation and Display	163	-	-	163
Aircraft Carrier	500	-	-	500
<b>Totals</b>	<b>\$ 147,792</b>	<b>\$ 10,338</b>	<b>\$ 10,328</b>	<b>\$ 168,458</b>

See independent accountant's compilation report and accompanying notes