

THE COLLINGS FOUNDATION, INC.
(A Nonprofit Corporation)

Financial Statements for the
Fiscal Year Ended November 30, 2020
and Independent Auditor's Report

Federman, Lally & Remis
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Collings Foundation, Inc.
Hudson, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of The Collings Foundation, Inc. (a nonprofit corporation) which comprise the statement of financial position as of November 30, 2020, and the related statements of activities, functional expenses and cash flows for the fiscal 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 Collings Foundation, Inc. as of November 30, 2020 and the related statements of activities, functional expenses and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Jederman, Hally & Remis LLC

Certified Public Accountants
Farmington, Connecticut
February 1, 2023

THE COLLINGS FOUNDATION, INC.
(A Nonprofit Corporation)
STATEMENT OF FINANCIAL POSITION
November 30, 2020

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 1,093,423
Total current assets	<u>1,093,423</u>

NONCURRENT ASSETS:

Collections and exhibits, net	55,806,235
Property, plant and equipment, net	<u>17,804,193</u>
Total noncurrent assets	<u>73,610,428</u>

TOTAL ASSETS	\$ <u>74,703,851</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 127,368
Due to related party	<u>563,804</u>
Total current liabilities	<u>691,172</u>

NONCURRENT LIABILITIES

Note payable related party, net of current portion	<u>300,000</u>
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TOTAL LIABILITIES	<u>991,172</u>
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NET ASSETS:

Without donor restrictions	19,608,689
With donor restrictions	<u>54,103,990</u>

TOTAL NET ASSETS	<u>73,712,679</u>
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TOTAL LIABILITIES AND NET ASSETS	\$ <u>74,703,851</u>
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The accompanying notes are an integral part of these financial statements.

THE COLLINGS FOUNDATION, INC.
(A Nonprofit Corporation)
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended November 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE:			
Contributed revenue - cash donations	\$ 1,739,111	\$ -	\$ 1,739,111
Contributed revenue - non-cash donations	-	1,441,000	1,441,000
Membership revenue	80,836	-	80,836
Entrance fees	251,245	-	251,245
Special events	62,098	-	62,098
Tank and military experiences	81,738	-	81,738
Gift shop revenues	112,380	-	112,380
Facility rentals	17,234	-	17,234
Gain on sale of collection items	-	32,580	32,580
Dividend and investment income	2,958	-	2,958
	<u>2,347,600</u>	<u>1,473,580</u>	<u>3,821,180</u>
TOTAL REVENUE			
	2,347,600	1,473,580	3,821,180
CONTRIBUTIONS RELEASED FROM RESTRICTIONS	<u>536,341</u>	<u>(536,341)</u>	<u>-</u>
EXPENSES:			
Program	1,511,245	-	1,511,245
Fundraising	56,127	-	56,127
General and administration	285,870	-	285,870
	<u>1,853,242</u>	<u>-</u>	<u>1,853,242</u>
TOTAL EXPENSES			
	1,853,242	-	1,853,242
INCREASE IN NET ASSETS	1,030,699	937,239	1,967,938
NET ASSETS - beginning of fiscal year	<u>18,577,990</u>	<u>53,166,751</u>	<u>71,744,741</u>
NET ASSETS - end of fiscal year	\$ <u><u>19,608,689</u></u>	\$ <u><u>54,103,990</u></u>	\$ <u><u>73,712,679</u></u>

The accompanying notes are an integral part of these financial statements.

THE COLLINGS FOUNDATION, INC.
(A Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
For the Fiscal Year Ended November 30, 2020

	Program							
	Exhibits & Museum Programs	Special Events & Military Experiences	Retail	Total Program Expenses	Fundraising	General and Administration	Total	
Payroll and benefits	\$ 132,797	\$ 75,144	\$ 33,724	\$ 241,665	\$ 19,483	\$ 159,793	\$ 420,941	
Collections and exhibit maintenance and transportation	219,059	-	-	219,059	-	-	219,059	
Services, consulting and professional fees	132,666	-	-	132,666	5,001	51,497	189,164	
Special event costs	-	19,621	-	19,621	-	-	19,621	
Merchandise	-	-	23,741	23,741	-	-	23,741	
Equipment and supplies	32,055	-	-	32,055	-	7,740	39,795	
Occupancy	270,848	-	4,299	275,147	-	11,464	286,611	
Depreciation and amortization	479,976	-	7,619	487,595	-	20,316	507,911	
Printing, publication and advertising	27,556	27,556	-	55,112	-	-	55,112	
Insurance	18,969	-	-	18,969	-	-	18,969	
Travel and entertainment	5,553	-	-	5,553	343	5,554	11,450	
Credit card and bank service fees	62	-	-	62	-	29,506	29,568	
Scholarships, sponsorships and contributions	-	-	-	-	31,300	-	31,300	
	\$ 1,319,541	\$ 122,321	\$ 69,383	\$ 1,511,245	\$ 56,127	\$ 285,870	\$ 1,853,242	

The accompanying notes are an integral part of these financial statements.

THE COLLINGS FOUNDATION, INC.
(A Nonprofit Corporation)
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended November 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 1,967,938
Adjustments to reconcile increase in net assets to net cash provided by operations:	
Depreciation and amortization expense	507,911
Allowance for present value of pledges receivable	-
Donated collection items	(1,441,000)
Gain on sale of collection items	(32,580)
Changes in assets and liabilities:	
Due to/from related party	280,077
Accounts payable and accrued expenses	89,748

NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,372,094</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of collection items and exhibits	(25,824)
Capitalized restoration costs	(185,984)
Proceeds from sale of collection items	557,580
Purchase of property, plant and equipment	(799,191)

NET CASH USED BY INVESTING ACTIVITIES	<u>(453,419)</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS	918,675
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CASH AND CASH EQUIVALENTS - beginning of fiscal year	<u>174,748</u>
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CASH AND CASH EQUIVALENTS - end of fiscal year	<u>\$ 1,093,423</u>
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The accompanying notes are an integral part of these financial statements.

THE COLLINGS FOUNDATION, INC.
(A Nonprofit Corporation)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended November 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Collings Foundation, Inc., doing business as the American Heritage Museum (the Foundation or Museum), commenced operations in May 2019 as a nonprofit organization whose mission is to engage, educate, entertain and enlighten its audiences in the history of the United States' military and veterans through a chronologically arranged series of exhibits, educational interpretations and living history events. The museum is housed in a facility in Hudson, Massachusetts and was conceived when The Collings Foundation, a related organization, was selected to receive a large collection of tanks, armored vehicles and military artifacts from The Military Vehicle Technology Foundation. The Museum focuses on America's conflicts, beginning with the Revolutionary War through today.

Basis of Accounting and Use of Accounting Estimates

The accompanying financial statements have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) and with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities.

The preparation of the accompanying financial statements in conformity with GAAP 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.

Net Asset Accounting

Museum resources are classified and reported in the accompanying financial statements as separate classes of net assets in accordance with donor-imposed restrictions as follows:

Net assets without donor restrictions - Represent net assets which are not restricted by donors. Net assets without donor restrictions are funds that are fully available, at the discretion of the Board of Directors and management, for the Museum to utilize in any of its programs or supporting services. Net assets without donor restrictions may be designated for specific purposes by the Museum's Board of Directors or may be limited by legal requirements or contractual agreements with outside parties.

Net assets with donor restrictions - Represent net assets which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. A portion of the Museum's net assets with donor restrictions are subject to donor-imposed restrictions that require the Museum to use or expend the gifts as specified, based on purpose or passage of time. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, such net assets are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

THE COLLINGS FOUNDATION, INC.
(A Nonprofit Corporation)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended November 30, 2020

Revenue Recognition

The Museum recognizes revenue for entrance fees, memberships, special events, tank and military experiences, and retail sales based on the satisfaction of performance obligations. Performance obligations are determined based on the service provided by the Museum. The following explains the performance obligations related to each revenue stream and how those are recognized. The revenue streams below do not include significant financing components as performance obligations are satisfied within a year of receipt of payment. In addition, there are no consideration amounts that are variable.

Entrance fees, special events and tank and military experiences: Revenue from museum entrance fees, special events and tank and military experiences is recognized on the date of the visit, event or experience. Payment is collected at the time of purchase or reservation.

Membership revenues: The Museum receives revenue from membership fees. Membership benefits include admission to the Museum for a specified period of time, typically one year, and revenues are recognized ratably over the term of the membership.

Contributed revenue: Contributions, both cash and non-cash, are recognized in the period in which the contribution is received or pledged unconditionally. Conditional pledges are not recognized as revenue until the conditions on which they depend are met. Non-cash contributions are recorded at estimated fair market value.

Donated services and in-kind contributions: The Museum recognizes contributions of materials and services (in-kind donations) at their estimated fair value at the date of donation. There were no contributed materials and services for the fiscal year ended November 30, 2020.

Cash and Cash Equivalents

For the purpose of reporting cash flows, the cash and cash equivalents line on the accompanying financial statements include cash on hand and short-term cash equivalents maturing within 90 days.

Concentrations of Credit Risk

Financial instruments which potentially subject the Museum to concentrations of credit risk consist of cash and cash equivalents. The Museum maintains its cash in bank deposits at high credit quality financial institutions, which at times, may exceed federally insured limits. The Museum does not believe that it is exposed to any significant credit risk.

Fair Value of Financial Instruments

The Foundation's financial instruments are cash and cash equivalents, accounts payable and accrued expenses and note payable related party. The recorded values of cash and cash equivalents and accounts payable and accrued expenses approximate their fair values based on their short-term nature. The fair value of note payable related party cannot be estimated due to the lack of comparable arrangements with a non-related party.

THE COLLINGS FOUNDATION, INC.
(A Nonprofit Corporation)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended November 30, 2020

Pledges Receivable

Pledges receivable are recorded in the period during which the pledge is received. Pledges to be collected after one year are discounted to present value using an annual rate commensurate with the risk involved. Amortization of the discount is recorded as contribution revenue. An allowance is made for uncollectible contributions based upon management's evaluation of potential uncollectible pledges receivable at the fiscal year end. There were no pledges receivable at November 30, 2020.

Collections

Collections are maintained for public exhibition and education rather than for financial gain. If purchased, items accessioned into the collection are capitalized at cost, and if donated, they are capitalized at their estimated fair value on the accession date (the date on which the item is accepted by the Museum). Gains or losses on the deaccession of collection items are classified on the statement of activities as support without donor restrictions or donor-restricted support depending on donor restrictions, if any, placed on the item at the time of accession. Collection items are depreciated over their estimated useful lives unless they have cultural, aesthetic, or historical value that is worth preserving perpetually, and the organization is protecting and preserving essentially undiminished the service potential of the collection item. Restoration of collection items are capitalized as incurred and amortized on a straight-line basis over their estimated useful life.

Property, Plant and Equipment

Property, plant and equipment accounts are stated at cost or, if donated, their fair market value on the date of donation, less depreciation. Major renewals and betterments are charged to the property, plant and equipment accounts, while replacements, maintenance and repairs that do not improve or extend the life of the respective assets are expensed currently. The Museum provides for depreciation of the property and equipment accounts by charging against earnings amounts sufficient to depreciate the cost of the assets on the straight-line method over the estimated useful lives of the assets, ranging from three to thirty-nine years.

The Museum reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors. No impairment losses were recognized for the fiscal year ended November 30, 2020.

Advertising

Advertising expense is recorded in the period in which the advertising first takes place. Advertising expense for the fiscal year ended November 30, 2020 was \$29,945 and is included in printing, publication and advertising on the accompanying statement of functional expenses.

THE COLLINGS FOUNDATION, INC.
(A Nonprofit Corporation)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended November 30, 2020

Income Taxes

The Foundation is organized as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Therefore, no provision for income taxes is recorded.

Accounting for Uncertainty in Income Taxes

The Foundation evaluates all significant tax positions as required by GAAP. As of November 30, 2020, the Foundation does not believe that it has taken any positions that would require the recording of any tax liability nor do they believe that there are any unrealized tax benefits that would either increase or decrease within the next fiscal year. The Foundation files informational return Form 990 with the Internal Revenue Service and an informational return in the Commonwealth of Massachusetts.

Recently Issued Accounting Principles

In March 2019, the FASB issued ASU No. 2019-03, Not-for-Profit Entities (Topic 958): Updating the Definition of Collections (“ASU 2019-03”), to improve the definition of collections in the FASB’s Master Glossary by realigning it with the definition in the American Alliance of Museums’ Code of Ethics for Museums. Under the clarified definition, proceeds from the sale of collection items can now be used for the direct care of collections, whereas previously such proceeds could only be used for the acquisition of new collection items. Furthermore, this standard requires a collection-holding entity to disclose its policy for the use of proceeds from when collection items are deaccessioned. If the policy allows proceeds from deaccessioned collection items to be used for direct care, the definition of direct care should also be disclosed. The Museum is currently evaluating the impact this update will have on its financial statements.

In September 2020, the FASB issued ASU 2020-07 - Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). The amendments in this update address presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The amendments in this update are effective for fiscal years beginning after June 15, 2021 and should be applied on a retrospective basis. The Museum is currently evaluating the impact this update will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02 - Leases (Topic 842). The amendments in this update will supersede much of the existing authoritative guidance for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their statement of net assets for all leases with lease terms longer than twelve months. The amendments in the update are effective for fiscal years beginning after December 15, 2021 with early application permitted. The Museum is currently evaluating the impact this update will have on its financial statements.

Subsequent Events

In preparing these financial statements, the Museum has evaluated events and transactions for potential recognition or disclosure through February 1, 2023 the date the financial statements were available to be issued.

THE COLLINGS FOUNDATION, INC.
(A Nonprofit Corporation)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended November 30, 2020

NOTE 2 - COLLECTIONS AND EXHIBITS

As discussed in Note 1, the Museum has elected to capitalize its collections and exhibits, whether purchased or donated. The costs of restoring exhibits for display are capitalized and amortized on a straight-line basis over the estimated life of the restoration, generally five years. As of November 30, 2020, collections and exhibits consist of the following:

Collections and exhibits:	
Antique aircraft	\$ 19,641,965
Military vehicles and weaponry	29,282,806
Antique automobiles	1,579,403
Militaria and other	4,999,725
Total collections and exhibits	<u>55,503,899</u>
Restoration costs	331,426
Less: accumulated amortization	29,090
Restoration costs, net	<u>302,336</u>
Total collections and exhibits and restoration costs	<u>\$ 55,806,235</u>

Amortization expense related to restoration costs was \$29,088 for the fiscal year ended November 30, 2020.

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of November 30, 2020 consist of the following:

Land	\$ 1,914,149
Buildings and improvements	15,773,432
Equipment and office furniture	52,964
Construction in progress	780,769
	<u>18,521,314</u>
Less: accumulated depreciation	717,121
Total property, plant and equipment, net	<u>\$ 17,804,193</u>

Construction in progress includes costs incurred related to improvements in progress at the Museum, including design of additional museum space and certain exhibits in progress. Depreciation expense for the fiscal year ended November 30, 2020 was \$478,823.

In late 2022, Museum management determined that certain planned improvements and additions to museum buildings and exhibits would not be going forward as planned. The Museum has incurred design and other related costs related to these planned improvements and additions, which are included in construction in progress at November 30, 2020. The Museum anticipates writing off approximately \$760,000 of construction in progress costs during the fiscal year ended November 30, 2022.

THE COLLINGS FOUNDATION, INC.
(A Nonprofit Corporation)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended November 30, 2020

NOTE 4 - PROGRAM ACTIVITIES AND FUNCTIONAL EXPENSES

The statement of functional expenses presents the natural expense classifications by program and support area in accordance with the overall service mission of the Museum. Program activities for the fiscal year ended November 30, 2020 consist of museum exhibits and activities, special events and military experiences, and retail sales in the museum gift shop. Certain expenses associated with the operation and maintenance of the Museum's facilities have been aggregated and allocated to programs and supporting activities based upon specific expenditure for exceptional items and square footage, or other appropriate basis, for all other expenses. Other natural expenses attributable to more than one functional expense category are allocated using other cost allocation techniques, primarily time and effort, square footage or specific identification. Total amounts allocated during the fiscal year ended November 30, 2020 were approximately \$1,282,000. Revenues from fundraising activities are included in contributed revenue on the accompanying statement of activities. Expenses related to these events are included in fundraising expenses on the accompanying statement of activities.

NOTE 5 - RELATED PARTIES

In 2019, The Collings Foundation (the Trust), a related entity, donated a tract of land and improvements thereon, a hangar building, a museum building and certain equipment to the Museum. The total amount of donated assets in this transaction was approximately \$17,720,000 and is included in property, plant and equipment on the accompanying statement of net assets. In addition, also in 2019, the Trust donated museum exhibit and collection items totaling approximately \$54,534,000 for the purpose of opening a museum. This amount is included in collections and exhibits in the accompanying statement of net assets.

The Museum has a \$300,000 note payable to a related party, the former owner of the property where the museum was built. There are no specific repayment terms and the note does not bear interest. A payment of \$100,000 was made on the loan in the 2022 fiscal year.

The Trust also pays the payroll and benefits on behalf the Museum and allocates a portion of certain employees' salaries to the Museum. During the fiscal year ended November 30, 2020, the Trust paid approximately \$420,941 of payroll and benefits on behalf of the Museum, which are included in payroll and benefits on the accompanying statement of functional expenses. The Trust and Museum may also allocate costs on certain other expenses from time to time as dictated by an affiliation agreement between the two entities. As of November 30, 2020, the Museum had a payable to the Trust of \$563,804, included in due to related party on the accompanying statement of financial position.

The Museum leases a structure on an adjacent property from a related party on a month-to-month basis. The structure is used to store certain collection items and for special events. Monthly rent on the structure is \$2,000 per month.

NOTE 6 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenses within one year of November 30, 2020 include cash and cash equivalents of \$1,093,423. The Museum manages its financial assets to be available as its operating expenses, liabilities and other obligations come due. The Board of Directors is committed to operating the Museum in a financially prudent manner.