

**THE ASTRONAUTS MEMORIAL
FOUNDATION, INC.**

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for the years ended June 30, 2014 and 2013

and

INDEPENDENT AUDITOR'S REPORT

THE ASTRONAUTS MEMORIAL FOUNDATION, INC.

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THE ASTRONAUTS MEMORIAL FOUNDATION, INC.

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INDEPENDENT AUDITOR'S COMBINED REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Board of Directors
The Astronauts Memorial Foundation, Inc.
Kennedy Space Center, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of The Astronauts Memorial Foundation, Inc. (the Foundation), (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of operations and changes in net assets, and cash flows for the years 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 principles 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2014 and 2013, and the results of its operations and changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis, as required by Chapter 691-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, State Financial Assistance. This schedule is presented for purposes of supplementary analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated March 27, 2015, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.



Davies, Houser & Secret, CPA, P.A.
Cocoa, Florida
March 27, 2015

FINANCIAL STATEMENTS

THE ASTRONAUTS MEMORIAL FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash	\$ 106,978	\$ 18,169
Receivables	53,142	33,902
Utility deposits	7,057	7,057
Prepaid expenses	6,440	0
Marketable securities	236,627	1,814
Total current assets	<u>410,244</u>	<u>60,942</u>
Assets limited as to use:		
Restricted cash	1,500	0
Designated endowment held in marketable securities (Notes 7 and 9)	2,036,000	2,693,736
Designated under terms of use permits and agreements held in marketable securities (Note 7)	1,018,000	416,837
Total assets limited as to use	<u>3,055,500</u>	<u>3,110,573</u>
National Historical Treasure - Astronauts Memorial on land under land use permit	<u>6,884,729</u>	<u>6,884,729</u>
Property and equipment, on land under land use permit:		
Center for Space Education (CSE) building	6,028,050	6,028,050
Furniture and equipment	330,316	358,064
Artwork	92,308	92,308
Software	51,332	51,292
Less accumulated depreciation - CSE	(3,833,341)	(3,631,134)
Less accumulated depreciation - other	(385,108)	(403,629)
Property and equipment at depreciated cost	<u>2,283,557</u>	<u>2,494,951</u>
Total assets	<u>\$ 12,634,030</u>	<u>\$ 12,551,195</u>

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

<u>LIABILITIES AND NET ASSETS</u>	<u>2014</u>	<u>2013</u>
Current liabilities:		
Accounts payable	\$ 26,327	\$ 20,807
Unearned rent	35,343	0
Deferred revenue	15,425	150
Security deposit	7,500	2,500
Capital lease obligation	1,634	3,362
	<u>86,229</u>	<u>26,819</u>
Total liabilities		
Net assets:		
Temporarily restricted:		
Donor restricted funds	1,500	0
Unrestricted:		
Designated endowment	2,036,000	2,693,736
Designated under terms of use permits and agreements	1,018,000	416,837
Invested in property and equipment	2,281,925	2,491,589
Invested in Astronauts Memorial	6,884,729	6,884,729
Other unrestricted	325,647	37,485
	<u>12,546,301</u>	<u>12,524,376</u>
Total unrestricted		
Total net assets	<u>12,547,801</u>	<u>12,524,376</u>
Commitments and contingencies (Note 6)		
Total liabilities and net assets	<u>\$ 12,634,030</u>	<u>\$ 12,551,195</u>

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

THE ASTRONAUTS MEMORIAL FOUNDATION, INC.

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
For the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Changes in unrestricted net assets:		
Revenues, gains, and other support:		
Contributions:		
License plate fees	\$ 643,863	\$ 285,065
Other	37,737	26,301
Noncash tangible goods	6,846	15,377
Training fees and other	3,257	25,486
Facility fees	257,851	253,844
Interest and dividends	46,629	40,213
Net realized and unrealized gains (losses) on investments	342,610	229,045
Total unrestricted revenues, gains, and other support	<u>1,338,793</u>	<u>875,331</u>
Net assets released from restrictions and designations:		
Satisfaction of restrictions and designations	<u>210,266</u>	<u>255,303</u>
Total revenues, gains, and other support	<u>1,549,059</u>	<u>1,130,634</u>
Expenses:		
Program services:		
Memorial maintenance/repair	71,582	103,219
Center for Space Education - educational programs	357,205	323,719
Center for Space Education - operations	376,091	317,371
Supporting services:		
General and administrative	401,972	405,693
Fundraising	43,167	11,343
Other professional fees	36,200	25,000
FAN Grant expenses	29,151	0
Total expenses	<u>1,315,368</u>	<u>1,186,345</u>
Increase (decrease) in unrestricted net assets	<u>233,691</u>	<u>(55,711)</u>
Changes in temporarily restricted and designated net assets:		
Net assets released from restrictions and designations	(210,266)	(255,303)
Decrease in temporarily restricted net assets	<u>(210,266)</u>	<u>(255,303)</u>
Increase (decrease) in net assets	23,425	(311,014)
Net assets, beginning of year	<u>12,524,376</u>	<u>12,835,390</u>
Net assets, end of year	<u>\$ 12,547,801</u>	<u>\$ 12,524,376</u>

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

THE ASTRONAUTS MEMORIAL FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
For the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	\$ 23,425	\$ (311,014)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	212,443	238,453
Expenses not paid in cash	10,315	0
Prepaid expenses not paid in cash	(5,295)	0
Noncash donations	(5,295)	0
Investment earnings not paid in cash	(46,630)	0
(Gain) loss on disposal of assets	0	(15,378)
Unrealized and realized (gains) on investments	(342,610)	(229,045)
Changes in assets and liabilities:		
(Increase) decrease in receivables	(19,240)	19,273
Decrease in utilities deposits	0	11,839
(Increase) in prepaid expenses	(6,440)	0
Decrease (increase) in accounts payable and accrued liabilities	5,520	(35,379)
(Decrease) increase in unearned rent	35,343	(7,772)
(Decrease) increase in deferred compensation payable	0	(236,033)
Increase in deferred revenue	15,275	150
Increase in security deposit	5,000	2,500
	<u>(118,189)</u>	<u>(562,406)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Proceeds from sales of investments	0	170,486
Withdrawals from investments	210,226	0
Proceeds from sale (purchase) of investments, TIAA	0	236,033
	<u>210,226</u>	<u>406,519</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Principal payments on capital lease obligations	<u>(1,728)</u>	<u>(1,673)</u>
	<u>(1,728)</u>	<u>(1,673)</u>
Net cash used in financing activities		
Net (decrease) increase in cash	90,309	(157,560)
Cash, beginning of year	<u>18,169</u>	<u>175,729</u>
Cash, end of year	<u>\$ 108,478</u>	<u>\$ 18,169</u>

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

THE ASTRONAUTS MEMORIAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended June 30, 2014 and 2013

NOTE 1 - REPORTING ENTITY

The Astronauts Memorial Foundation, Inc. (the Foundation) was organized under the laws of the State of Florida on March 7, 1986, as a not-for-profit corporation established to construct and maintain a permanent Astronauts Memorial (the Memorial) at Kennedy Space Center, Florida, and to construct and maintain the Center for Space Education (CSE), as well as develop educational programs that will broaden knowledge of space and space exploration.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Foundation follows specific accounting standards which prescribe guidelines for external financial statements for all not-for-profit organizations. The guidance requires the classification of an organization's net assets, revenue and expenses, and gains and losses based on the existence or absence of donor-imposed restrictions. It requires that amounts for each of the three classes of net assets (permanently restricted, temporarily restricted, and unrestricted) be displayed in the statements of financial position and that the amounts of the change in each of the three classes of net assets be displayed in the statements of activities. As of June 30, 2014 and 2013, the Foundation does not have any donor-imposed, permanently restricted net assets.

B. Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

C. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

D. Contributions

Contributions received, including unconditional promises to give, are recognized as revenues when the donor's commitment is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted. Amounts received that are stipulated by the donor to be maintained permanently are reported as permanently restricted.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. If a donor restriction is met in the same reporting period as the contribution is received, that contribution revenue is reported as unrestricted support.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Promises to Give

Unconditional promises to give, if any, are recognized at fair value as revenues and as assets in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Unconditional promises to give are recorded at present value of their estimated future cash flows. The discounts on contributions receivable are computed using a market rate commensurate with the risk of the contributions receivable. Amortization of the discounts related to pledges receivable are recognized over the period of the promise as contribution revenue.

F. Fundraising Activities

Fundraising activities are undertaken with the purpose of inducing potential donors to contribute money, services, materials, facilities, other assets, or time to support the mission of the Foundation. The Foundation's financial statements are presented using functional classifications such that the costs of fundraising are separately identified and distinguished from program services and support activities.

G. Donated Services

Donated services, if any, are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise have been purchased. Volunteers have donated time to the Foundation's fundraising efforts and operations, however, no amounts for donated services are recognized since the services provided do not meet the requirements for recognition.

H. Donated Tangible Goods

Donated tangible goods are recognized at fair value at date of receipt. Management estimates fair value by determining what similar, used tangible goods would sell for.

I. Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Foundation have been summarized in the accompanying statements of activities on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of time records and on estimates made by the Foundation's management.

J. Cash and Cash Equivalents

The Foundation considers all unrestricted, highly liquid investments with a maturity of three months or less when purchased, except those classified as investments, to be cash equivalents. At times, the Foundation maintains deposits with financial institutions in amounts that are in excess of federally insured limits. The Foundation has not experienced losses in such accounts and believes it is not exposed to significant credit risk with respect to cash and cash equivalents.

K. Investments

Investments are reported at fair value. The Foundation's investments include various types of investment securities which are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in risks in the near term could materially affect the Foundation's investment balance reported in the statements of financial position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. National Historical Treasure

The Foundation constructed the Memorial on land under a land use permit. The Memorial has been deemed a national historical treasure and is reported on the statements of financial position at cost.

M. Facility Fees, Training Fees, and Other

Generally, revenue from exchange transactions is recognized when earned. Facility fees are recognized on a straight-line basis over the term of the related lease. Training fees are recognized when the service is provided.

N. Investment Income

Realized gains and losses are recognized at date of disposition based on the difference between the net proceeds received and the purchased value of the investment sold, using the specific identification method. Unrealized gains and losses are recognized for the change in fair value between reporting periods. Interest and dividend income are recognized when earned.

O. Property and Equipment

Property and equipment are reported at cost. Expenditures which materially increase values, change capacities, or extend useful lives, are capitalized. Donations of property and equipment are recorded at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed on the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 30 years
Furniture and equipment	3 - 7 years
Computer software	2 - 3 years

P. Asset Retirement Obligation (ARO)

Under the terms of the Land Use Permits (see Note 6), the Foundation could be required to restore the land to its original condition. The obligation would be the cost to remove or demolish the Memorial and the CSE. A liability for the asset retirement obligation has not been recorded by the Foundation at June 30, 2014 and 2013, because the fair value of the obligation cannot be reasonably estimated. Management believes that there is an indeterminate settlement date for the ARO because the time over which the Foundation may settle the obligation is unknown.

Q. Income Taxes

No provision for income taxes is made in the accompanying financial statements since the Foundation is a not-for-profit corporation and exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and Chapter 220.13 of the Florida Statutes, except to the extent there is unrelated business income.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Foundation has adopted the accounting standard on accounting for uncertainty in income taxes in accordance with Accounting Standards Codification (ASC) 740, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax provisions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by federal, state, or local tax authorities for the years before 2009, which is the standard statute of limitations look-back period.

NOTE 3 - INVESTMENTS AND INVESTMENT ACTIVITY

A summary of the Foundation's investments at fair value as of June 30 are as follows:

	<u>2014</u>	<u>2013</u>
Marketable securities:		
Money markets	\$ 555,101	\$ 977,724
Equity securities:		
Domestic	1,478,398	1,092,035
International	464,028	315,101
Fixed income:		
Corporate bonds	684,626	641,391
Mutual funds	<u>108,474</u>	<u>86,136</u>
Total marketable securities	<u>\$3,290,627</u>	<u>\$3,112,387</u>
Total investments	<u>\$3,290,627</u>	<u>\$3,112,387</u>

For all investments, investment expenses are netted against interest income. For the years ended June 30, 2014 and 2013, expenses amounted to \$10,315 and \$17,302, respectively. Investment returns consist of interest and dividends, realized gains and losses, and unrealized gains and losses. Investment returns are summarized for the years ended June 30, 2014 and 2013, as follows:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 46,629	\$ 40,213
Realized gains (losses) on investments	14,541	(25,249)
Unrealized gains (losses) on investments	<u>328,069</u>	<u>254,294</u>
	<u>\$ 389,239</u>	<u>\$ 269,258</u>

NOTE 4 - FAIR VALUE MEASUREMENTS

The accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values of investments are based on a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The accounting guidance describes three levels of inputs that may be used to measure fair value, which are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets include investments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The following table summarizes fair value measurements, by level, at June 30, 2014, for assets measured at fair value on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable securities				
Money markets	\$ 555,101	\$ 0	\$ 0	\$ 555,101
Equity securities:				
Domestic	1,478,398	0	0	1,478,398
International	464,028	0	0	464,028
Fixed income:				
Corporate bonds	0	684,626	0	684,626
Mutual funds	<u>108,474</u>	<u>0</u>	<u>0</u>	<u>108,474</u>
Total marketable securities	<u>\$ 2,606,001</u>	<u>\$ 684,626</u>	<u>\$ 0</u>	<u>\$ 3,290,627</u>

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

The following table summarizes fair value measurements, by level, at June 30, 2013, for assets measured at fair value on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable securities				
Money markets	\$ 977,724	\$ 0	\$ 0	\$ 977,724
Equity securities:				
Domestic	1,092,035	0	0	1,092,035
International	315,101	0	0	315,101
Fixed income:				
Corporate bonds	0	641,391	0	641,391
Mutual funds	<u>86,136</u>	<u>0</u>	<u>0</u>	<u>86,136</u>
Total marketable securities	<u>\$ 2,470,996</u>	<u>\$ 641,391</u>	<u>\$ 0</u>	<u>\$ 3,112,387</u>

NOTE 5 - RECEIVABLES

Receivables as of June 30, 2014 and 2013, are as follows:

	<u>2014</u>	<u>2013</u>
Accounts receivable	\$ 2,510	\$ 0
Rents receivable	13,973	0
License plate fees	<u>36,659</u>	<u>33,902</u>
Total receivables	<u>\$ 53,142</u>	<u>\$ 33,902</u>

The Foundation has received the final installment of \$20,000, under promises to give during the fiscal year ended 2013.

NOTE 6 - LAND USE PERMITS

The Foundation has received (at no charge) exclusive rights to two parcels of land at the Kennedy Space Center from the National Aeronautics and Space Administration (NASA). Through a Use Permit (the Memorial Use Permit), dated September 1, 1989, and as amended, 6 acres of land have been designated as the site for the Memorial. A second Use Permit (the CSE Use Permit), dated April 30, 1992, and as amended, designates an additional 1.1 acres, for a total of 7.1 acres as the site for constructing the CSE. In the event the use permits are terminated, the Foundation may be required to restore the land to its original condition. Due to the extensive restrictions on the use of the land, the Foundation has not recognized any value related to the land rights in the accompanying financial statements.

NOTE 7 - ASSETS RESTRICTED UNDER TERMS OF LAND USE PERMITS

The Memorial Use Permit requires that a board- designed endowment fund (the Memorial Maintenance Fund) be established and maintained for the perpetual care and maintenance of the Memorial and surrounding property. The Memorial Maintenance Fund must maintain a minimum balance of \$1 million with a maximum accumulated balance of \$2 million, previously a minimum balance of \$2 million with a maximum accumulated balance of \$3 million. Upon

NOTE 7 - ASSETS RESTRICTED UNDER TERMS OF LAND USE PERMITS

(continued)

attaining the \$2 million balance, the required balance is adjusted annually based on the Consumer Price Index for All Urban Consumers (CPI). Additionally, the CSE Use Permit requires the establishment of a Maintenance and Operations Fund. Previously, the CSE Permit required the establishment of a capital replacement reserve (the CSE Capital Replacement Reserve) of \$367,000. The Maintenance and Operations Fund must maintain a minimum balance of \$1 million with a maximum accumulated balance of \$2 million, adjusted annually in accordance with the corresponding CPI. During fiscal year 2006, \$127,888 was withdrawn from the CSE Maintenance and Operations Fund (previously the Capital Replacement Reserve) to fund the replacement of the chiller. This amount is being replaced over the next 10 years (120 months). The amount transferred in each of the fiscal years ended June 30, 2014 and 2013, from unrestricted funds to replenish the CSE Maintenance and Operations Fund, was \$12,789. Both use permits require that all investment income generated by the funds (investment), including unrealized gains and losses, shall become part of the fund until funding requirements are reached. Interest and dividend income may be used to meet these requirements. As of June 30, 2014, the amounts in the Memorial Maintenance Fund and the CSE Capital Replacement Reserve were adjusted in accordance with the CPI to \$2,036,000 and \$1,018,000, respectively.

The value of the investments held for the Memorial Maintenance Fund and CSE Capital Replacement Reserve as of June 30 are as follows:

	<u>2014</u>	<u>2013</u>
Memorial Maintenance Fund	\$ 2,036,000	\$ 2,693,736
CSE Maintenance and Operations Fund	<u>1,018,000</u>	<u>416,837</u>
	<u>\$ 3,054,000</u>	<u>\$ 3,110,573</u>

NOTE 8 - EMPLOYEE BENEFIT PLANS

The Foundation has a 403(b) defined contribution employee pension plan covering all of its personnel. Contributions to the plan are discretionary and limited to the lesser of \$20,500 or 10% of each eligible employee's annual compensation. Total pension expense for the years ended June 30, 2014 and 2013, was \$48,325 and \$33,588, respectively.

NOTE 9 - BOARD-DESIGNATED ENDOWMENTS

The Foundation's endowment consists of one fund, the Memorial Fund, for the perpetual care and maintenance of the Memorial and surrounding property as discussed in Note 7. Its endowment includes only funds classified by the Board of Directors to function as an endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 9 - BOARD-DESIGNATED ENDOWMENTS (continued)

Changes in board-designated endowment net assets for the fiscal years ended June 30, 2014 and 2013, are as follows:

Unrestricted endowment net assets, June 30, 2012	<u>\$2,561,407</u>
Investment return:	
Investment income	53,714
Net appreciation (realized and unrealized)	<u>95,917</u>
Total investment income	<u>149,631</u>
Memorial maintenance costs	<u>(17,302)</u>
Unrestricted endowment net assets, June 30, 2013	<u>2,693,736</u>
Investment return:	
Investment income	28,851
Net appreciation (realized and unrealized)	<u>211,981</u>
Total investment income	<u>240,832</u>
Memorial maintenance costs	<u>(71,582)</u>
Transfers	<u>(826,986)</u>
Unrestricted endowment net assets, June 30, 2014	<u>\$2,036,000</u>

Interpretation of Relevant Law: The Foundation follows accounting guidance found in ASC 958-205-45, which requires additional disclosures about endowments (both donor-restricted funds and board-designated funds) for all organizations, including those that are not yet subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The State of Florida adopted UPMIFA effective July 1, 2012. This change in legislation is not anticipated to have an effect on the financial reporting of the Foundation.

The Foundation has adopted the disclosure requirements of the guidance in effect for those states that have not enacted UPMIFA. The Foundation's endowment fund, the Memorial Fund, is designated by the Board of Directors to function as an endowment. As required by generally accepted accounting principles, net assets associated with funds designated by the Board of Directors to function as an endowment are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation maintains the original, minimum required balance as specified in the land use permits as an endowment.

Spending Policy: Endowments are established to preserve principal and generate an income stream to support the purpose of the funds held. A "spending policy" establishes a reasonable, sustainable, consistent, and predictable expenditure level, which enables the Foundation to use endowment earnings to support its operations to the fullest extent possible, while ensuring the principal value of the endowment is maintained and protected from the effects of inflation.

The Foundation has set the spending policy for its board-designated endowment. Currently, all earnings of the board-designated endowment fund are to be accumulated in the endowment account until such time as the endowment has reached \$2,036,000 (see Note 7). Upon attaining the maximum required funding level, the earnings of the endowment fund shall be made available to provide for all major and minor maintenance necessary to preserve the Memorial and associated facilities in a safe, reliable, and presentable condition. Transfers from unrestricted funds are made, if necessary, to maintain the minimum balance of the board-designated endowment. In the event the land use permits are terminated, the Memorial Fund shall become the property of the United States government.

NOTE 9 - BOARD-DESIGNATED ENDOWMENTS (continued)

Investment Policy: The general investment objective is to provide for principal growth of the Memorial Fund. The board-designated endowment fund is diversified across asset classes to achieve an optimal balance between risk and return. The Foundation expects that the investment mix will yield long-term annual returns of approximately 7%. The Board of Directors charges the selected investment advisor, with guidance from the Foundation's president, to maintain a prudently diversified portfolio, and not to pursue an unduly risky investment strategy. All investments are made within the investment policy guidelines set forth by the Board of Directors.

NOTE 10 - CONTRIBUTION REVENUE

License plate fees: Florida Statutes Section (FSS) 320.08058 (as amended June 20, 2014) requires that 100% of the Challenger/Columbia license plate fees be distributed to the Foundation by the State Department of Motor Vehicles (the Department). The fee of \$25 above the normal license plate fee is a voluntary fee paid by an individual when obtaining or renewing their tag. The transaction is between the resource provider (individual) and the Foundation with the Department acting as an intermediary, and, as such, the fees are recorded as contributions. The fees must be used for the maintenance and support of the operations of the CSE and the Education Technology Institute operated by the Foundation. These operations must include programs and infrastructure that inform, inspire, and educate the public on the benefits of human space flight. Statutes allow 20% of the funds to be used for administrative costs. Statutes further allow for up to 10% of the funds be used for continuing promotion and marketing of the license plate.

On June 20, 2014, amendments to the Florida Statutes concerning the Challenger/Columbia license plate fees were enacted. The changes allow for the use of license plate fees for the Memorial and clarifies the usage of the funds for administrative costs. These changes become effective on October 1, 2014.

FSS 320.08056(10) provides that no special license plate annual use fees, or any interest earned from these fees, may be used for commercial or for-profit activities, or for general and administrative expenses except as authorized by FSS 320.08058. License plate fees are considered unrestricted contributions and are recorded when the Department's commitment is received.

Temporarily restricted contributions: During years prior to June 30, 2012, the Foundation was the recipient of funds from the Newman Ormand Trust for the promotion of education programs relating to aerospace or aeronautics programs in the amount of \$596,522. During the fiscal years ended June 30, 2014 and 2013, the Foundation expended \$0 and \$19,270, respectively, for the identified education programs.

Donations of tangible goods: During 2014, the Foundation received donations of tangible goods and services that had a fair market value of \$6,845. These have been included in the accompanying financial statements as noncash contributions and prepaid expenses, fixed assets, and general and administrative expenses in the amounts of \$5,295, \$1,050, and \$500, respectively. During 2013, the Foundation received and refurbished donated equipment. The equipment, after being refurbished by volunteers, was donated by the Foundation to educational organizations and students. The refurbished equipment had a fair value of approximately \$15,377. These have been included in the accompanying financial statements as noncash contributions and program expenses (computers for education).

NOTE 11 - FACILITY FEES

The Foundation leases space in the CSE to NASA, as well as other organizations and universities. The leases are generally for periods of one to five years and may be renewed, if desired, by both parties. The Foundation recognizes revenue from these lease agreements as earned, and such revenue is reported as facility fees in the accompanying statements of operations and changes in net assets. During the years ended June 30, 2014 and 2013, the Foundation leased approximately 19,690 square feet of the building's leasable space, which totals 27,299 square feet. Total revenue recognized during the years ended June 30, 2014 and 2013, amounted to \$257,851 and \$253,844, respectively.

NOTE 12 - MAJOR TENANTS

For the years ended June 30, 2014 and 2013, two tenants accounted for approximately 82% and 68% of rent revenues, respectively. Accounts receivable due from these tenants were \$8,245 and \$0, as of June 30, 2014 and 2013, respectively.

NOTE 13 - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through March 27, 2015, the date which the financial statements were available to be issued.

On June 20, 2014, amendments to the Florida Statutes concerning the Challenger/Columbia license plate fees were enacted. The changes allow for the use of license plate fees for the Memorial and clarifies the usage of the funds for administrative costs. These changes become effective on October 1, 2014.

SUPPLEMENTARY INFORMATION

THE ASTRONAUTS MEMORIAL FOUNDATION, INC.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

For the year ended June 30, 2014

Employer Identification Number: 59-2637266

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA/ CSFA Number</u>	<u>Contract Number</u>	<u>Program or Award Amount</u>	<u>Amount Expended</u>
State Financial Assistance:				
Department of Highway Safety and Motor Vehicles				
Challenger/Columbia License Plate Project	76.019		\$643,863	<u>\$643,863</u>
Total expenditures of state financial assistance				<u>\$643,863</u>



DAVIES, HOUSER & SECREST, CPA, P.A.

BUSINESS CONSULTANTS AND FAMILY WEALTH PLANNERS

Shareholders & Director

Stephen A. Ellis, Shareholder
Todd M. Russell, Shareholder
Matthew D. Trine, Shareholder
G. Mitchell Krasny, Director

Directors Emeritus

Floyd C. Lemmon
William R. Kidd
Robert E. Andersen, Jr.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
The Astronauts Memorial Foundation, Inc.
Kennedy Space Center, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Astronauts Memorial Foundation, Inc. (the Foundation), (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of operations and change in net assets, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2015.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control during our audits that might be material weaknesses or significant deficiencies. Given these limitations during our audits, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the results of the testing, and not to provide an opinion of the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Davies, Houser & Secrest, CPA, P.A.
Cocoa, Florida
March 27, 2015



DAVIES, HOUSER & SECREST, CPA, P.A.

BUSINESS CONSULTANTS AND FAMILY WEALTH PLANNERS

Shareholders & Director

*Stephen A. Ellis, Shareholder
Todd M. Russell, Shareholder
Matthew D. Trine, Shareholder
G. Mitchell Krasny, Director*

Directors Emeritus

*Floyd C. Lemmon
William R. Kidd
Robert E. Andersen, Jr.*

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

Board of Directors
The Astronauts Memorial Foundation, Inc.
Kennedy Space Center, Florida

Report on Compliance for Each Major State Project

We have audited the compliance of The Astronauts Memorial Foundation, Inc. (the Foundation), (a nonprofit organization), with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the Foundation's major state projects for the year ended June 30, 2014. The Foundation's major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance of each of the Foundation's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and Chapter 10.650, Rules of the Auditor General. Those standards and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on Each Major State Project

In our opinion, the Foundation has complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on a major state projects to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement for a state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal controls over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



Davies, Houser & Secrest, CPA, P.A.
Cocoa, Florida
March 27, 2015

THE ASTRONAUTS MEMORIAL FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 STATE FINANCIAL ASSISTANCE PROJECTS
 For the year ended June 30, 2014

I. Summary of Auditor's Results	Answers
1. Type of report issued on financial statements	Unmodified
2. Significant deficiencies in internal control disclosed by the audit of the financial statements	None
3. Noncompliance which is material to the audited financial statements	None
4. Significant deficiencies in internal control over major programs disclosed by the audit	None
5. Type of report on compliance for major programs	Unmodified
6. Audit findings required to be reported under Chapter 10.656 of the Rules of the Auditor General	None No management letter issued
7. Identification of Major State Projects Florida Department of Highway Safety and Motor Vehicles - Motorist Services: Challenger/Columbia License Plate Project	CSFA #76.019
8. Dollar threshold for type A programs	\$300,000
II. Findings required to be reported in accordance with generally accepted <i>Government Auditing Standards</i>	None
III. Findings and questioned costs for State projects defined under Chapter 10.656(1)(h)4d, Rules of the Auditor General	None
IV. Prior year's audit findings	None