



FUTURE OF FLIGHT FOUNDATION

Financial Statements with Supplemental Information and
Independent Auditors' Report

December 31, 2009

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Independent Auditors' Report***Board of Directors
Future of Flight Foundation
Mukilteo, Washington***Certified Public
Accountants
and Consultants

We have audited the accompanying balance sheet of Future of Flight Foundation (the Foundation) as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from the Foundation's 2008 audited financial statements and, in our report dated June 17, 2009, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2009, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Foundation taken as a whole. The supplemental information for the year ended December 31, 2009, presented on page 10, is presented for additional analysis and is not a required part of the basic financial statements. This supplemental information has been subjected to the auditing procedures applied in the audit of the basic 2009 financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountants
March 11, 2010

FUTURE OF FLIGHT FOUNDATION

Balance Sheet

December 31, 2009

(With Comparative Totals for 2008)

	<u>2009</u>	<u>2008</u>
<i>Assets</i>		
Current Assets:		
Cash	\$ 93,800	\$ 131,347
Accounts receivable	175,894	137,457
Pledges receivable	10,007	
Other receivable, current portion	25,000	
Prepaid expenses and other current assets	450	6,354
Total Current Assets	305,151	275,158
Property and equipment, net	1,681,490	1,880,367
Other receivable, net of current portion	50,000	
Collections	15,303,574	15,278,937
Total Assets	<u>\$ 17,340,215</u>	<u>\$ 17,434,462</u>
<i>Liabilities and Net Assets</i>		
Current Liabilities:		
Accounts payable	\$ 6,359	\$ 96,056
Accrued expenses and other current liabilities	11,555	11,933
Deferred revenue	6,350	6,950
Total Current Liabilities	24,264	114,939
Net Assets:		
Unrestricted	17,216,695	17,243,367
Temporarily restricted	99,256	76,156
Total Net Assets	<u>17,315,951</u>	<u>17,319,523</u>
Total Liabilities and Net Assets	<u>\$ 17,340,215</u>	<u>\$ 17,434,462</u>

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

FUTURE OF FLIGHT FOUNDATION

Statement of Activities
For the Year Ended December 31, 2009
(With Comparative Totals for 2008)

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>2009 Total</i>	<i>2008 Total</i>
Operating Activities:				
Support and Revenues:				
Contributions	\$ 178,330	\$ 141,015	\$ 319,345	\$ 224,269
Earned revenue	286,852		286,852	
Special events (net of direct expenses of \$15,812)	3,123		3,123	
County reimbursement revenue	795,877		795,877	849,092
Net assets released from restriction	117,915	(117,915)		
Total Operating Support and Revenues	1,382,097	23,100	1,405,197	1,073,361
Operating Expenses:				
Program	1,078,697		1,078,697	1,143,379
General and administrative	86,656		86,656	97,690
Fundraising	243,913		243,913	164,558
Total Operating Expenses	1,409,266		1,409,266	1,405,627
Change in Net Assets from Operating Activities	(27,169)	23,100	(4,069)	(332,266)
Non-Operating Activities:				
Investment return	497		497	4,385
Change in Net Assets from Non-Operating Activities	497		497	4,385
Total Change in Net Assets	(26,672)	23,100	(3,572)	(327,881)
Beginning of year net assets	17,243,367	76,156	17,319,523	17,647,404
End of Year Net Assets	\$ 17,216,695	\$ 99,256	\$ 17,315,951	\$ 17,319,523

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

FUTURE OF FLIGHT FOUNDATION

***Statement of Cash Flows
For the Year Ended December 31, 2009
(With Comparative Totals for 2008)***

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (3,572)	\$ (327,881)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	238,095	210,652
Donated collection items	(24,637)	
Loss on deaccession of collection item		55,000
Changes in assets and liabilities:		
Accounts receivable	(38,437)	(31,955)
Pledges receivable	(10,007)	
Other receivables	(75,000)	
Prepaid expenses and other current assets	5,904	27,932
Accounts payable	(89,697)	20,571
Accrued expenses and other current liabilities	(378)	5,753
Deferred revenue	(600)	(6,375)
Net Cash Provided by (Used in) Operating Activities	1,671	(46,303)
Cash Flows from Investing Activities:		
Proceeds from sale of investment in privately-held company		50,000
Purchase of property and equipment	(28,448)	
Additions to exhibits in progress	(10,770)	(51,706)
Net Cash Used in Investing Activities	(39,218)	(1,706)
Net Change in Cash	(37,547)	(48,009)
Cash balance, beginning of year	131,347	179,356
Cash Balance, End of Year	<u>\$ 93,800</u>	<u>\$ 131,347</u>
Non-Cash Investing Activities:		
Receipt of donated collection items	\$ 24,637	\$ -
Exhibit items acquired for which payables exist at year-end	\$ -	\$ 69,779

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

FUTURE OF FLIGHT FOUNDATION

Notes to Financial Statements

Note 1 - Nature of Operations and Significant Accounting Policies

Organization - The Future of Flight Foundation (the Foundation) is an independent 501(c)(3) non-profit organization that owns the collection and serves as the operator of the Future of Flight Aviation Center in Mukilteo, Washington. The Foundation's mission is to educate, entertain and engage the global community to inspire innovation.

Basis of Presentation - Net assets, revenues, expenses, 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:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Donor-restricted contributions whose restrictions are met in the same reporting period as the contribution is made are reported as unrestricted.

Cash and Cash Equivalents - All highly liquid instruments with original maturities of three months or less are considered to be cash and cash equivalents.

Receivables - Trade accounts and pledges receivable are stated at the amount management expects to collect from outstanding balances. The Foundation provides for probable uncollectible amounts through the direct write-off method based on its assessment of the current status of individual accounts. The write-off of uncollectible balances for the years ended December 31, 2009 and 2008, were not material to the financial statements.

Collections - The Foundation has capitalized its collection since its inception. Collection items acquired are recorded at cost if purchased and at appraised or fair value at date of accession if donated. Gains and losses from deaccessions are reported as changes in net assets based on the absence or existence and nature of donor-imposed restrictions.

FUTURE OF FLIGHT FOUNDATION

Notes to Financial Statements

Note 1 - Continued

Property and Equipment - The Foundation capitalizes assets with a cost greater than \$1,000 and an estimated useful life of one or more years. Purchased property is carried at cost. Donated property is recorded at fair value when received. Depreciation is computed using the straight-line method based on estimated useful lives as follows:

Exhibits	10 years
Furniture and equipment	7 years
Software	3 years
Vehicles	5 years

Deferred Revenue - Deferred revenue includes prepayments for use of the Foundation's facilities, and is recognized as earned.

Contributions - Contributions, which include unconditional promises to give (pledges), are recognized as revenue in the period received. Contributions with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.

Advertising - The Foundation expenses advertising costs as incurred. Total advertising expense for the years ended December 31, 2009 and 2008, was \$65,269 and \$3,496, respectively.

Federal Income Tax - The Internal Revenue Service has determined that the Foundation is exempt from federal income tax under Internal Revenue Code Section 501(c)(3); accordingly, no provision has been made for federal income tax in the accompanying financial statements.

Concentrations of Credit Risk - Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash. At times, the Foundation may have deposits in excess of federally insured limits.

Approximately \$203,234 or 60%, of the Foundation's support was provided from three corporate donors during 2009. Approximately \$196,000, or 87%, of the Foundation's support was provided from two corporate donors in 2008.

Allocation of Functional Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of 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. These affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

FUTURE OF FLIGHT FOUNDATION

Notes to Financial Statements

Note 1 - Continued

Donated Goods and Services - Donations of goods, including property and equipment, are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Donated services are recognized if the services received (i) create or enhance non-financial assets or (ii) require specialized skills, are provided by individuals possessing those skills and would need to be purchased if not provided by donation.

The following services and other items were contributed to the Foundation for the years ended December 31:

	<u>2009</u>	<u>2008</u>
Collection items	\$ 24,637	\$ -
Printing	25,957	39,983
Website consulting services	50,000	
Miscellaneous	<u>14,088</u>	<u>3,067</u>
Total	<u>\$ 114,682</u>	<u>\$ 43,050</u>

Subsequent Events - The Foundation has evaluated subsequent events through March 11, 2010, the date on which the financial statements were available to be issued.

Note 2 - Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2009</u>	<u>2008</u>
Exhibits	\$ 2,364,908	\$ 2,337,201
Software	3,136	3,136
Equipment	11,416	
Vehicles	38,000	38,000
Exhibits in process	<u>10,770</u>	<u>10,675</u>
	2,428,230	2,389,012
Less: accumulated depreciation	<u>(746,740)</u>	<u>(508,645)</u>
Total Property and Equipment, Net	<u>\$ 1,681,490</u>	<u>\$ 1,880,367</u>

FUTURE OF FLIGHT FOUNDATION

Notes to Financial Statements

Note 3 - Operation and Management Agreement

Effective December 2009, Snohomish County (the County) and the Foundation have entered into an operating agreement whereby the Foundation is the sole and exclusive operator and manager of the Future of Flight Aviation Center (the Center). As consideration for operating and managing the Center, the County pays the Foundation a management fee and reimbursement of the operating expenses. The management fee is made up of two components: a direct management fee, and an admissions tax. The direct management fee is \$50,000 per year, paid quarterly and adjusted annually based on the consumer price index. The admissions tax portion of the management fee is based on the admissions tax authorized by the County. The admissions tax management fee is restricted to use for the following programs: 50% for exhibits, 30% for education, and 20% for unrestricted funds.

In addition to the management fee, the Foundation is also paid a gallery fee whereby all revenue collected from "Gallery Only" tickets is paid to the Foundation. The Foundation is also paid an incentive fee whereby the Foundation is entitled to a certain percentage of total operating earned income over a predetermined amount. Revenue earned from the agreement is recorded as earned revenue in the Foundation's statement of activities.

Lastly, the Foundation will receive a onetime signing bonus of \$100,000 to be paid in \$25,000 installments over the next three years. The signing bonus is recorded as a receivable on the Foundation's balance sheet and included in earned revenue line item on the statement of activities for the year-ended December 31, 2009.

Note 4 - Related Party Transactions

A Foundation Board member is an employee of the County with whom the Foundation has an operation and management agreement with described above. The Boeing Company is a significant contributor to the Foundation, and a Boeing executive is a member of the Foundation's Board of Directors.

Expenses reimbursed by the County totaled \$795,877 and \$849,092 for the years ended December 31, 2009 and 2008, respectively. Accounts receivable due from the County totaled \$228,880 and \$127,865 at December 31, 2009 and 2008, respectively.

FUTURE OF FLIGHT FOUNDATION

Notes to Financial Statements

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net asset activity consisted of the following for the year ended December 31, 2009:

	<i>Balance at 12/31/2008</i>	<i>Received in 2009</i>	<i>Satisfied in 2009</i>	<i>Balance at 12/31/2009</i>
Education	\$ 25,357	\$ 51,015	\$ (33,126)	\$ 43,246
Gala	10,000			10,000
Program services		44,000	(28,770)	15,230
Intern program		6,000	(5,917)	83
Capital campaign	<u>40,799</u>	<u>40,000</u>	<u>(50,102)</u>	<u>30,697</u>
	<u>\$ 76,156</u>	<u>\$ 141,015</u>	<u>\$ (117,915)</u>	<u>\$ 99,256</u>

Temporarily restricted net asset activity consisted of the following for the year ended December 31, 2008:

	<i>Balance at 12/31/2007</i>	<i>Received in 2008</i>	<i>Satisfied in 2008</i>	<i>Balance at 12/31/2008</i>
Education	\$ 47,962	\$ 3,000	\$ (25,605)	\$ 25,357
Gala	10,000			10,000
Capital campaign	<u>26,581</u>	<u>156,000</u>	<u>(141,782)</u>	<u>40,799</u>
	<u>\$ 84,543</u>	<u>\$ 159,000</u>	<u>\$ (167,387)</u>	<u>\$ 76,156</u>

SUPPLEMENTAL INFORMATION

FUTURE OF FLIGHT FOUNDATION

**Statement of Functional Expenses
For the Year Ended December 31, 2009
(With Comparative Totals for 2008)**

	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>2009 Total Expenses</i>	<i>2008 Total Expenses</i>
Salaries and wages	\$ 670,802	\$ 59,027	\$ 157,352	\$ 887,181	\$ 835,758
Other employee benefits			5,564	5,564	1,542
Payroll taxes	58,395	4,776	12,971	76,142	67,443
Total payroll costs	729,197	63,803	175,887	968,887	904,743
Marketing and advertising	10,051		56,021	66,072	4,996
Supplies	28,717	1,134	760	30,611	11,573
Printing and publications	20,408	8,126		28,534	40,095
Exhibits and collections	18,317			18,317	60,037
Accounting fees	13,601	1,511		15,112	12,689
Travel	13,246		1,508	14,754	10,583
Professional fees		8,154	6,105	14,259	137,577
Other	4,285	397	1,281	5,963	5,408
Insurance	1,660	1,660		3,320	3,467
Occupancy	2,700	300		3,000	3,000
Conferences, conventions, and meetings	1,337			1,337	530
Telephone			800	800	93
Postage and shipping	184	20		204	184
Total expenses before depreciation	843,703	85,105	242,362	1,171,170	1,194,975
Depreciation	234,994	1,551	1,551	238,096	210,652
Total Expenses	\$ 1,078,697	\$ 86,656	\$ 243,913	\$ 1,409,266	\$ 1,405,627

See independent auditor's report.