

THE AVIATION HALL OF FAME, INC. and RELATED ENTITY

Financial Statements
December 31, 2022 and 2021
with Independent Auditor's Report

THE AVIATION HALL OF FAME, INC. and RELATED ENTITY

Table of Contents

Independent Auditor's Report.....	1-3
-----------------------------------	-----

Financial Statements:

Consolidated Statements of Financial Position.....	4-5
--	-----

Consolidated Statements of Activities.....	6-7
--	-----

Consolidated Statements of Functional Expenses.....	8-9
---	-----

Consolidated Statements of Cash Flows.....	10
--	----

Notes to Consolidated Financial Statements.....	11-17
---	-------

Supplementary Information:

Schedule of Expenditures of Federal Awards.....	18
---	----

Independent Auditor's Report of Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	19-20
--	-------

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance.....	21-24
---	-------

Schedule of Findings and Questioned Costs.....	25-26
--	-------

Matthew J. Scarr, CPA LLC

Certified Public Accountant

808 East Franklin Street
Centerville, OH 45459-5605
(937) 232-1200
Fax (937) 435-2863

Independent Auditor's Report

To the Board of Trustees of
The Aviation Hall of Fame, Inc. and Related Entity
Dayton, Ohio

Opinion

I have audited the accompanying consolidated financial statements of The Aviation Hall of Fame, Inc. and Related Entity (a nonprofit organization) which comprise the consolidated statement of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Aviation Hall of Fame, Inc. and Related Entity as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements of my report. I am required to be independent of The Aviation Hall of Fame, Inc. and Related Entity and to meet my other ethical responsibilities in accordance with the relevant ethical requirements related to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Aviation Hall of Fame, Inc. and Related Entity's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Aviation Hall of Fame, Inc. and Related Entity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt The Aviation Hall of Fame, Inc. and Related Entity's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated September 27, 2023, on my consideration of The Aviation Hall of Fame, Inc. and Related Entity's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Aviation Hall of Fame, Inc. and Related Entity's internal control over financial reporting and compliance.

Matthew J. Scarr, CPA LLC

Centerville, Ohio
September 27, 2023

THE AVIATION HALL OF FAME, INC. and RELATED ENTITY

Consolidated Statement of Financial Position

December 31, 2022

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 565,375	229,908	795,283
Accounts receivable, trade	-	41,841	41,841
Inventory, art available for sale	14,374	-	14,374
Prepaid expenses	1,910	-	1,910
	<u>581,659</u>	<u>271,749</u>	<u>853,408</u>
Total current assets			
	<u>-</u>	<u>775,330</u>	<u>775,330</u>
Investments			
	<u>-</u>	<u>1,091,762</u>	<u>1,091,762</u>
Leasehold improvements, exhibits and equipment, net			
	<u>-</u>	<u>1,091,762</u>	<u>1,091,762</u>
Other assets:			
Restricted cash	-	62,220	62,220
Long-term accounts receivable	-	61,789	61,789
	<u>-</u>	<u>124,009</u>	<u>124,009</u>
Total other assets			
	<u>\$ 581,659</u>	<u>2,262,850</u>	<u>2,844,509</u>
Total assets			
Current liabilities:			
Accounts payable	\$ 127,058	-	127,058
Deferred revenue	165,051	-	165,051
	<u>292,109</u>	<u>-</u>	<u>292,109</u>
Total current liabilities			
	<u>289,550</u>	<u>2,262,850</u>	<u>2,552,400</u>
Net assets:			
	<u>\$ 581,659</u>	<u>2,262,850</u>	<u>2,844,509</u>
Total liabilities and net assets			
	<u>\$ 581,659</u>	<u>2,262,850</u>	<u>2,844,509</u>

See accompanying notes to the consolidated financial statements.

THE AVIATION HALL OF FAME, INC. and RELATED ENTITY

Consolidated Statement of Financial Position

December 31, 2021

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 145,892	250,413	396,305
Accounts receivable, trade	-	282,441	282,441
Inventory, art available for sale	14,374	-	14,374
Prepaid expenses	13,879	-	13,879
	<u>174,145</u>	<u>532,854</u>	<u>706,999</u>
Total current assets			
Investments	-	1,133,420	1,133,420
	<u>-</u>	<u>1,133,420</u>	<u>1,133,420</u>
Leasehold improvements, exhibits and equipment, net	31	714,961	714,992
	<u>31</u>	<u>714,961</u>	<u>714,992</u>
Other assets:			
Restricted cash	-	62,517	62,517
Long-term accounts receivable	-	270,107	270,107
	<u>-</u>	<u>270,107</u>	<u>270,107</u>
Total other assets	-	332,624	332,624
	<u>-</u>	<u>332,624</u>	<u>332,624</u>
Total assets	<u>\$ 174,176</u>	<u>2,713,859</u>	<u>2,888,035</u>
Current liabilities:			
Accounts payable	\$ 30,704	-	30,704
Deferred revenue	290,000	-	290,000
	<u>290,000</u>	<u>-</u>	<u>290,000</u>
Total current liabilities	320,704	-	320,704
	<u>320,704</u>	<u>-</u>	<u>320,704</u>
Net assets (deficit):	(146,528)	2,713,859	2,567,331
	<u>(146,528)</u>	<u>2,713,859</u>	<u>2,567,331</u>
Total liabilities and net assets	<u>\$ 174,176</u>	<u>2,713,859</u>	<u>2,888,035</u>

See accompanying notes to the consolidated financial statements.

THE AVIATION HALL OF FAME, INC. and RELATED ENTITY

Consolidated Statement of Activities

Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues:			
Support:			
Contributions	\$ 1,376,628	56,743	1,433,371
Memberships	26,720	-	26,720
In-kind contributions	13,866	-	13,866
	<u>1,417,214</u>	<u>56,743</u>	<u>1,473,957</u>
Revenues:			
Enshrinement ceremonies	328,991	-	328,991
Investment income, net of fees	-	24,796	24,796
Unrealized loss on investments	-	(311,281)	(311,281)
Realized gain on investments	-	180,676	180,676
Other revenue	35,773	-	35,773
	<u>364,764</u>	<u>(105,809)</u>	<u>258,955</u>
Net assets released from restrictions	<u>401,943</u>	<u>(401,943)</u>	<u>-</u>
Total support and revenues	<u>2,183,921</u>	<u>(451,009)</u>	<u>1,732,912</u>
Expenses:			
Program services	1,247,590	-	1,247,590
Management and general	458,985	-	458,985
Fundraising	41,268	-	41,268
Total expenses	<u>1,747,843</u>	<u>-</u>	<u>1,747,843</u>
Change in net assets	436,078	(451,009)	(14,931)
Net assets (deficit), beginning of year	<u>(146,528)</u>	<u>2,713,859</u>	<u>2,567,331</u>
Net assets, end of year	<u>\$ 289,550</u>	<u>2,262,850</u>	<u>2,552,400</u>

See accompanying notes to the consolidated financial statements.

THE AVIATION HALL OF FAME, INC. and RELATED ENTITY

Consolidated Statement of Activities

Year Ended December 31, 2021

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support and revenues:			
Support:			
Contributions	\$ 176,331	117,004	293,335
Memberships	41,685	-	41,685
In-kind contributions	32,062	-	32,062
	<u>250,078</u>	<u>117,004</u>	<u>367,082</u>
Revenues:			
Enshrinement ceremonies	-	-	-
Investment income, net of fees	-	22,671	22,671
Unrealized gain on investments	-	131,575	131,575
Realized gain on investments	-	53,730	53,730
Other revenue	26,409	-	26,409
	<u>26,409</u>	<u>207,976</u>	<u>234,385</u>
Net assets released from restrictions	<u>34,271</u>	<u>(34,271)</u>	<u>-</u>
Total support and revenues	<u>310,758</u>	<u>290,709</u>	<u>601,467</u>
Expenses:			
Program services	398,386	-	398,386
Management and general	139,246	-	139,246
Fundraising	84,070	-	84,070
Total expenses	<u>621,702</u>	<u>-</u>	<u>621,702</u>
Change in net assets	(310,944)	290,709	(20,235)
Net assets, beginning of year	<u>164,416</u>	<u>2,423,150</u>	<u>2,587,566</u>
Net assets (deficit), end of year	<u>\$ (146,528)</u>	<u>2,713,859</u>	<u>2,567,331</u>

See accompanying notes to the consolidated financial statements.

THE AVIATION HALL OF FAME, INC. and RELATED ENTITY

Consolidated Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services		Supporting Services		Total
	Learning Center and Other	Enshrinement	Management and General	Fundraising	
Payroll	\$ 78,772	88,426	119,060	24,116	310,374
Payroll taxes	19,538	706	952	192	21,388
Office supplies	649	728	979	199	2,555
Repair and maintenance	2,004	2,249	3,026	615	7,894
Equipment expense	2,918	-	-	-	2,918
Utilities	21,015	759	1,023	208	23,005
Telephone	1,030	1,156	1,556	315	4,057
Postage and shipping	-	-	10,382	-	10,382
Dues and memberships	-	-	1,688	-	1,688
Printing	-	-	23,155	-	23,155
Bank fees	-	-	16,033	-	16,033
Professional fees	-	-	37,520	-	37,520
Media and marketing	-	2,779	713	-	3,492
Payroll service fees	579	651	876	177	2,283
Volunteer expenses	4,593	-	-	-	4,593
Contract services	-	202,638	152,706	-	355,344
Insurance	29,744	1,075	1,449	293	32,561
Travel	-	15,629	2,611	-	18,240
Conferences	1,136	-	1,164	-	2,300
Development	-	-	-	13,378	13,378
Supplies	209,835	-	-	-	209,835
Learning Center expenses	9,024	-	-	-	9,024
Enshrinement expenses	-	271,869	-	-	271,869
NBAA Conference	35,681	-	6,555	-	42,236
In-kind expenses	141,318	5,105	6,885	1,392	154,700
Miscellaneous	2,487	13	67,238	4	69,742
Depreciation and amortization	92,084	1,400	3,414	379	97,277
	\$ 652,407	595,183	458,985	41,268	1,747,843

See accompanying notes to the consolidated financial statements.

THE AVIATION HALL OF FAME, INC. and RELATED ENTITY

Consolidated Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services		Supporting Services		Total
	Learning Center and Other	Enshrinement	Management and General	Fundraising	
Payroll	\$ 43,784	49,149	66,171	13,404	172,508
Payroll taxes	12,291	444	599	121	13,455
Office supplies	652	731	984	200	2,567
Repair and maintenance	16,688	602	815	164	18,269
Equipment expense	3,159	-	-	-	3,159
Utilities	13,048	471	635	129	14,283
Telephone	884	992	1,335	270	3,481
Postage and shipping	-	-	1,939	-	1,939
Dues and memberships	-	-	3,230	-	3,230
Bank fees	-	-	15,119	-	15,119
Professional fees	-	-	16,350	-	16,350
Media and marketing	-	2,193	563	-	2,756
Payroll service fees	237	266	359	73	935
Volunteer expenses	1,883	-	-	-	1,883
Contract services	-	18,018	13,578	-	31,596
Insurance	22,157	800	1,080	218	24,255
Travel	-	2,760	298	-	3,058
Conferences	697	-	715	-	1,412
Development	-	-	-	67,904	67,904
Learning Center expenses	1,739	-	-	-	1,739
Covid-19 expenses	-	-	-	-	-
Enshrinement expenses	-	2,652	-	-	2,652
NBAA Conference	6,522	-	6,683	-	13,205
In-kind expenses	141,318	5,105	6,885	1,392	154,700
Miscellaneous	1,011	118	154	-	1,283
Depreciation and amortization	47,296	719	1,754	195	49,964
	<u>\$ 313,366</u>	<u>85,020</u>	<u>139,246</u>	<u>84,070</u>	<u>621,702</u>

See accompanying notes to the consolidated financial statements.

THE AVIATION HALL OF FAME, INC. and RELATED ENTITY

Consolidated Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (14,931)	(20,235)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	97,277	49,964
Unrealized (gain) loss on investments	311,281	(131,575)
Realized gain on investments	(180,676)	(53,730)
Paycheck Protection Program loan forgiveness	-	(27,637)
Effects of changes in operating assets and liabilities:		
Accounts receivable, trade	240,600	(255,000)
Inventory, art available for sale	-	346
Prepaid expenses	11,969	(143)
Restricted cash	297	(379)
Long-term accounts receivable	208,318	122,638
Accounts payable	96,354	23,477
Deferred revenue	(124,949)	290,000
Net cash provided (used) by operating activities	<u>645,540</u>	<u>(2,274)</u>
Cash flows from investing activities:		
Purchases of leasehold improvements, exhibits and equipment	(474,047)	(60,660)
Net sales of investments	<u>227,485</u>	<u>38,051</u>
Net cash used by investing activities	<u>(246,562)</u>	<u>(22,609)</u>
Cash flows from financing activities:		
Borrowings on Payroll Protection Program loan	<u>-</u>	<u>27,637</u>
Change in cash and cash equivalents	398,978	2,754
Cash and cash equivalents - beginning of year	<u>396,305</u>	<u>393,551</u>
Cash and cash equivalents - end of year	<u>\$ 795,283</u>	<u>\$ 396,305</u>
Supplemental disclosure for cash flow information:		
Noncash financing transaction:		
Forgiveness of Paycheck Protection Program loan	<u>\$ -</u>	<u>27,637</u>

See accompanying notes to the consolidated financial statements.

THE AVIATION HALL OF FAME, INC. and RELATED ENTITY

Notes to Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

1. NATURE OF OPERATIONS:

The Aviation Hall of Fame, Inc. is a nonprofit corporation formed in 1964. The National Aviation Hall of Fame, Inc. is a nonprofit corporation formed in 1962. These two nonprofit corporations are located in Dayton, Ohio and operate together as the National Aviation Hall of Fame, and are collectively referred to in these consolidated financial statements as the "Organization." The consolidated financial statements include the accounts of the National Aviation Hall of Fame, Inc., while The Aviation Hall of Fame, Inc. is an inactive entity.

The Organization's purpose is to preserve and memorialize the outstanding accomplishments of individuals who have contributed to aviation achievement in the United States of America. The Organization receives income primarily from contributions and exhibitions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of the Organization are set forth to facilitate the understanding of data presented in the financial statements:

Method of accounting—The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations.

Basis of presentation—The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. A description of each class as it pertains to the Organization is as follows:

Net Assets With Donor Restrictions—Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net Assets Without Donor Restrictions—Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Revenue recognition—The Organization records contributions as with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the year in which the contributions are received.

Contributions of services, facilities and materials (“in-kind”) which meet the requirement for recognition are reported as revenues and expenses at estimated fair market values. These recorded amounts primarily relate to the Organization’s right to occupy its building at no cost under an agreement with the State of Ohio, and various noncash contributions. In addition to the recorded contributions, a substantial number of volunteers have donated significant amount of their time to the Organization’s program services and fundraising activities. Since these services do not meet the requirement for recognition, the value thereof is not reflected in the accompanying financial statements.

Cash and cash equivalents—Interest-bearing deposits and short-term investment with original maturities of three months or less are classified as cash equivalents.

Accounts receivable—The Organization carries its receivables at cost. On a periodic basis, the Organization evaluates these amounts based on current information and believes that all receivable amounts will be collected. Therefore no allowance for doubtful accounts is considered necessary.

Leasehold improvements, exhibits and equipment—Leasehold improvements, exhibits and equipment are stated at cost (fair value at date of donation for donated assets) and depreciated over their estimated useful lives using the straight-line method. Expenditures for maintenance and repairs are charged to expense when incurred.

In the absence of donor stipulations regarding how long contributed assets (including donations of cash or other assets restricted for acquisition of property and equipment) must be used, the Organization has adopted a policy of implying a time restriction on contributions of such assets that expires over the assets’ useful lives. As a result, all contributions of leasehold improvements, exhibits and equipment are recorded as contributions with donor restrictions and an amount equal to the depreciation on these assets is released from net assets with donor restrictions annually.

Investment valuation and income recognition—The Organization’s investments are reported at fair value. Fair value is 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. Unrealized gain or loss includes the Organization’s gains or losses on investments bought and sold as well as held during the year. Capital gain distributions are included in dividend and in interest income. The Organization’s investments are subject to the normal risks associated with financial markets.

Long-term accounts receivable—The Organization rents its space at no cost. Long-term accounts receivable consists of in-kind future building rent benefit at the present value of the estimated lease expense over the twenty-three year term of the lease.

Income taxes—The active entity within the Organization qualifies as a tax-exempt, nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax is required. Management does not believe that the Organization conducts any activities subject to taxation as unrelated business income. In addition, management concluded that there are no uncertain tax positions and, accordingly, there is no adjustment to the financial statements.

With few exceptions, the Organization’s federal information returns are no longer subject to examination by the Internal Revenue Service for the years before 2019.

Use of estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America required the Organization to make estimates and assumptions that affect certain reported amount and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of credit risk—Financial instruments, which potentially subject the Organization to concentration of credit risk, consist principally of deposits in banks. At times, deposits in banks may exceed federally insured limits.

3. LIQUIDITY AND AVAILABILITY:

The following reflects the Organization's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year.

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 795,283	396,305
Accounts receivable, trade	41,841	282,441
Investments	775,330	1,133,420
Restricted cash	<u>62,220</u>	<u>62,517</u>
	1,674,674	1,874,683
Less those unavailable for general expenditures within one year due to purpose restrictions	<u>(1,109,299)</u>	<u>(1,728,791)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 565,375</u>	<u>145,892</u>

The Organization is substantially supported by contributions, which may contain donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities. Consequently, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. It is the policy of the Organization to regularly review and assess the need for funds to meet operating obligations and to ensure the availability of cash or collateral to fulfill those requirements.

4. LEASEHOLD IMPROVEMENTS, EXHIBITS AND EQUIPMENT:

Leasehold improvements, exhibits and equipment are summarized as follows at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 213,238	188,238
Leasehold improvements	1,534,901	1,534,901
Permanent exhibits and displays	2,704,431	2,248,381
Temporary exhibits	<u>306,000</u>	<u>306,000</u>
	4,758,570	4,277,520
Less accumulated depreciation and amortization	<u>3,666,808</u>	<u>3,562,528</u>
	<u>\$ 1,091,762</u>	<u>714,992</u>

5. INVESTMENTS:

Investments consisted of the following at December 31:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 154,767	154,767	3,347	3,347
Equities	699,411	620,562	783,670	986,592
Equity mutual funds	<u>-</u>	<u>-</u>	<u>113,970</u>	<u>143,481</u>
	<u>\$ 854,178</u>	<u>775,330</u>	<u>900,987</u>	<u>1,133,420</u>

6. IN-KIND CONTRIBUTIONS:

In-kind contributions for the years ended December 31, 2022 and 2021 consisted of contributed rent totaling \$13,866 and \$32,062, respectively.

The Organization recognized in-kind contributions within support, all of which were utilized for the Organization's operation. Unless otherwise noted, in-kind contributions did not have donor-imposed restrictions.

Contributed rent consist of space provided to the Organization for their operations. Contributed rent is valued and reported at the estimated fair value in the financial statements based on current rates for similar properties.

7. FAIR VALUE MEASUREMENTS:

The Organization applies accounting principles generally accepted in the United States of America (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received for an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. GAAP establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Organization has determined that the only material financial assets or liabilities that are measured at fair value on a recurring basis and categorized using the fair value hierarchy are investments. Investments are made up of equity securities. These investments are valued using quoted market prices for similar assets. All investments at December 31, 2022 and 2021 are measured at Level 1 inputs. Significant transfers between fair levels are determined at the end of the reporting period. There were no significant transfers in 2022 and 2021.

8. PAYCHECK PROTECTION PROGRAM:

On February 2, 2021, the Organization received loan proceeds in the amount of \$27,637 under the second round of the Paycheck Protection Program (the “PPP”).

The PPP was established as part of the Coronavirus Aid, Relief and Economic Securities Act (the “CARES Act”). Under the terms of the PPP, the loan is forgivable if the proceeds are used for qualifying expenses as described in the CARES Act, including payroll, benefits, rent, and utilities.

On April 15, 2021, this second PPP loan of \$27,637 was forgiven. These proceeds were recognized as contributions on the statement of activities.

9. MISCELLANEOUS EXPENSE:

During 2022 the Organization's electronic accounts payable system was compromised by a cyberattack. As a result, the Organization received and paid approximately \$167,000 in fraudulent invoices. When the fraud was uncovered, the Organization immediately contacted the relevant authorities. The Organization also immediately changed its payment procedures to prevent additional fraud, both from the specific source and from similar types of transactions.

The Organization has since been reimbursed for all but \$67,220 of the lost funds. This amount is included in December 31, 2022 statement of functional expenses as part of miscellaneous expense.

10. SUBSEQUENT EVENTS:

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus disease (COVID-19) as a global pandemic. COVID-19 is having notable impacts on general economic conditions in the United States and internationally. The impacts of COVID-19 on the Organization's operations and the financial results subsequent to December 31, 2022 are not available as of the date of this report.

The Organization evaluates events and transactions occurring subsequently to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements considering events through September 27, 2023, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

THE AVIATION HALL OF FAME, INC. and RELATED ENTITY

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Pass-through from Ohio Department of Education:			
Governor's Emergency Education Relief Fund	84.425C	N/A	<u>\$ 919,194</u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The National Aviation Hall of Fame, Inc. and Related Entity under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the Organization it is not intended to and does not present the financial position, changes in net assets, or cash flows of The National Aviation Hall of Fame and Related Entity.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has not elected to use the 10-percent de minimus direct cost rate allowed under Uniform Guidance. The Organization provided no federal awards to sub-recipients.

Note 3. Capitalized Assets

As required by 2 CFR Section 200.312, the respective entity retains revisionary interest in capitalized assets purchased with federal funds.

Matthew J. Scarr, CPA LLC

Certified Public Accountant

808 East Franklin Street
Centerville, OH 45459-5605
(937) 232-1200
Fax (937) 435-2863

**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***

To the Board of Trustees of
The Aviation Hall of Fame, Inc. and Related Entity
Dayton, Ohio

I have audited, in accordance with the 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 consolidated financial statements of The Aviation Hall of Fame, Inc. and Related Entity, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued my report thereon dated September 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the consolidated financial statements, I considered The Aviation Hall of Fame, Inc. and Related Entity's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Aviation Hall of Fame, Inc. and Related Entity's internal control. Accordingly, I do not express an opinion on the effectiveness of The Aviation Hall of Fame, Inc. and Related Entity'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 consolidated 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.

My 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 that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Aviation Hall of Fame, Inc. and Related Entity's consolidated financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on 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.

Matthew J. Scarr, CPA LLC

Centerville, Ohio
September 27, 2023

Matthew J. Scarr, CPA LLC

Certified Public Accountant

808 East Franklin Street
Centerville, OH 45459-5605
(937) 232-1200
Fax (937) 435-2863

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees of
The Aviation Hall of Fame, Inc. and Related Entity
Dayton, Ohio

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited The Aviation Hall of Fame, Inc. and Related Entity's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Aviation Hall of Fame, Inc. and Related Entity's major federal programs for the year ended December 31, 2022. The Aviation Hall of Fame, Inc. and Related Entity's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, The Aviation Hall of Fame, Inc. and Related Entity's 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 federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

I am required to be independent of The Aviation Hall of Fame, Inc. and Related Entity and to meet my other ethical responsibilities, in accordance with relevant ethical requirements related to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of The Aviation Hall of Fame, Inc. and Related Entity's compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to The Aviation Hall of Fame, Inc. and Related Entity's federal programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on The Aviation Hall of Fame, Inc. and Related Entity's compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Audit Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user of the report on compliance about The Aviation Hall of Fame, Inc. and Related Entity's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Audit Standards*, and the Uniform Guidance, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding The Aviation Hall of Fame, Inc. and Related Entity's compliance with the compliance requirements referred to above and performing such procedures as I consider necessary in the circumstances.

- Obtain an understanding of The Aviation Hall of Fame, Inc. and Related Entity's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The Aviation Hall of Fame, Inc. and Related Entity's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Report on 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 of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during the audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Matthew J. Scarr, CPA LLC

Centerville, Ohio
September 27, 2023

THE AVIATION HALL OF FAME, INC. and RELATED ENTITY

Schedule of Findings and Questioned Costs

Year Ended December 31, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified not
considered to be material weakness(es)?

_____ yes X none reported

Noncompliance material to financial statements
noted?

_____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified not
considered to be material weakness(es)?

_____ yes X none reported

Type of auditor's report issued on compliance
for major programs:

Unmodified Opinion

Any audit findings disclosed that are required to
be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major programs:

Assistance Listing Number(s)

84.425C

Name of Federal Program or Cluster

Governor's Emergency Education Relief Fund

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 750,000

Auditee qualified as a low risk auditee?

_____ yes X no

THE AVIATION HALL OF FAME, INC. and RELATED ENTITY

Schedule of Findings and Questioned Costs - Continued

Year Ended December 31, 2022

Section II - Financial Statement Findings

My audit disclosed no significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

My audit disclosed no audit findings required to be reported by 2 CFR section 200.516(a) (for example, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).