

**CEC/SEABEE HISTORICAL FOUNDATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2019**



CEC/SEABEE HISTORICAL FOUNDATION, INC.
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ALEXANDER | VAN LOON | SLOAN | LEVENS | FAVRE, PLLC
Certified Public Accountants & Business Consultants

AVL WEALTHCARE, LLC
Wealth Management

INDEPENDENT AUDITORS' REPORT

March 3, 2020

To the Officers and Board of Trustees
CEC/Seabee Historical Foundation, Inc.
Gulfport, Mississippi

We have audited the accompanying financial statements of CEC/Seabee Historical Foundation, Inc. (Foundation) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Officers and Board of Trustees
CEC/Seabee Historical Foundation, Inc.
Gulfport, Mississippi
March 3, 2020

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CEC/Seabee Historical Foundation, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander, Van Loon, Sloan, Levens & Favre, PLLC

ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi

FINANCIAL STATEMENTS

CEC/SEABEE HISTORICAL FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 163,339
Cash and cash equivalents, designated	166,142
Unconditional promises to give, unrestricted	162,266
Investment in equity securities	38,812
Prepaid expenses	11,495
	<hr/>
Total current assets	542,054
	<hr/>

NON-CURRENT ASSETS

Long-term unconditional promises to give, unrestricted	<hr/> 131,777
Total non-current assets	<hr/> 131,777
	<hr/>

PROPERTY AND EQUIPMENT

Equipment	30,126
Furniture and fixtures	17,693
	<hr/>
Total property and equipment	47,819
Less: accumulated depreciation	<hr/> (40,315)
	<hr/>
Net property and equipment	7,504
	<hr/>

TOTAL ASSETS	\$ 681,335
	<hr/> <hr/>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 8,627
Accounts payable - related parties	3,700
Accrued payroll and related liabilities	1,215
Notes payable, related parties, current portion	61,607
Capital lease payable, current portion	1,094
	<hr/>
Total current liabilities	76,243

LONG-TERM LIABILITIES

Note payable	1,813,419
Notes payable, related parties	494,930
	<hr/>
Total long-term liabilities	2,308,349

TOTAL LIABILITIES

2,384,592

NET ASSETS

Without donor restrictions:	
Invested in property and equipment	6,410
Undesignated	(1,709,667)
	<hr/>
Total without donor restrictions	(1,703,257)
	<hr/>
Total net assets	(1,703,257)

TOTAL LIABILITIES AND NET ASSETS

\$ 681,335

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

**CEC/SEABEE HISTORICAL FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Total
REVENUE AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS	
Contributions: general	\$ 597,754
Contributions: in-kind	515,195
Membership dues	80,290
Other sources	25,500
Interest and dividend income	4,904
Realized losses on disposal of assets	(48)
Unrealized gain on investments	8,572
Total revenue and other support without donor restrictions	1,232,167
 EXPENSES	
Program services	1,029,370
Fund raising: general	76,884
Fund raising: special events	27,099
General and administrative	150,006
Depreciation	4,341
Total	1,287,700
 CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(55,533)
 NET ASSETS, BEGINNING OF YEAR	(1,647,724)
NET ASSETS, END OF YEAR	\$ (1,703,257)

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

CEC/SEABEE HISTORICAL FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Fundraising	General and Administrative	Total
Administrative contract services	\$ 8,846	\$ 1,106	\$ 1,106	\$ 11,058
Bank fees	6,754	591	591	7,936
Consulting services	144,674	-	-	144,674
Gift shop support	450	-	-	450
In-kind expense	500,795	-	-	500,795
Insurance	-	-	1,657	1,657
Interest	110,287	-	226	110,513
Membership	7,754	-	-	7,754
Office supplies	10,495	-	-	10,495
Other expenses	1,978	12	1,263	3,253
Payroll and taxes	140,311	46,661	84,892	271,864
Postage	7,005	-	778	7,783
Professional services	1,901	7,856	32,216	41,973
Printing and publications	29,091	9,358	-	38,449
Registration fees	-	11,100	-	11,100
Rent, in-kind	-	-	14,400	14,400
Special events	59,029	27,099	-	86,128
Travel	-	200	12,877	13,077
TOTAL EXPENSES	\$ 1,029,370	\$ 103,983	\$ 150,006	\$ 1,283,359

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

CEC/SEABEE HISTORICAL FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from contributions, grants, and memberships	\$ 900,516
Cash paid for program and support services	(393,425)
Cash paid to employees	(251,958)
Interest paid	(110,513)
Interest received	8
Dividends received	4,896
	149,524
Net cash provided by operating activities	149,524

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of equipment	(456)
	(456)
Net cash used in investing activities	(456)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from debt, related parties	25,000
Principal paid on note payable	(254,488)
	(229,488)
Net cash used in financing activities	(229,488)
Decrease in cash and cash equivalents	(80,420)
Cash and cash equivalents, beginning of year	409,901
Cash and cash equivalents, end of year	\$ 329,481

**RECONCILIATION OF CASH AND CASH
EQUIVALENTS PER STATEMENT OF CASH FLOWS
TO STATEMENT OF FINANCIAL POSITION**

Cash and cash equivalents	\$ 163,339
Restricted cash and cash equivalents	166,142
	329,481
Total cash and cash equivalents	\$ 329,481

CEC/SEABEE HISTORICAL FOUNDATION, INC.
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

**RECONCILIATION OF CHANGE IN NET ASSETS
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Change in net assets	<u>\$ (55,533)</u>
Adjustments reconciling the change in net assets to net cash used in operating activities:	
Depreciation	4,341
Loss on disposal of fixed assets	48
(Increase) decrease in assets:	
Investment in marketable securities	(38,812)
Unconditional promises to give	227,212
Prepaid expenses	3,949
Increase (decrease) in liabilities:	
Accounts payable	7,887
Payroll and related liabilities	<u>432</u>
Total adjustments	<u>205,057</u>
Net cash provided by operating activities	<u><u>\$ 149,524</u></u>

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

NOTES TO FINANCIAL STATEMENTS

CEC/SEABEE HISTORICAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The CEC/Seabee Historical Foundation, Inc. (Foundation) is a non-profit organization whose purpose is to ensure that the proud heritage and rich history of the Navy's Civil Engineer Corps (CEC) and the Navy's military construction force, the Seabees, are properly documented, preserved and maintained. The primary goal of the Foundation is to maintain public awareness of the contributions and accomplishments of the Seabees and the Civil Engineer Corps. The Foundation accomplishes this mission through the support of the Seabee museums, various programs and newsletters. The Foundation is the private support arm of the CEC/Seabee Museum. The CEC/Seabee Museum is located in Port Hueneme, California and is operated by the United States Department of the Navy.

The Foundation was founded in September 1991 and is governed by a board of up to 33 trustees. At December 31, 2019, the board consisted of 31 trustees. The Foundation is managed on a day-to-day basis by its Executive Director. The Foundation's headquarters are located in Gulfport, Mississippi.

In March 2000, the Foundation began a \$12 million capital campaign to generate capital funds for the construction of a new museum at Port Hueneme, California, to replace the previous facility. On June 6, 2008, September 3, 2009, and August 4, 2010, the Foundation gave \$10 million, \$1.2 million, and \$758,000, respectively, to the United States Department of the Navy for the construction of the new museum in Port Hueneme, California. The museum building construction was completed in October 2010.

In May 2019, the Foundation received a gift donation of 100% ownership of the U.S. Navy Seabee Museum Exhibit Design/Intellectual Property and Design Documentation, valued at \$500,000. As stipulated in the gift documents, the Foundation gifted the Exhibit Design/Intellectual Property and Design Documentation to the U.S. Navy for use in the development of the U.S. Seabee Museum Master Plan for accreditation with the American Alliance of Museums. The gift donation is included in contributions: in-kind on the statement of activities and the subsequent gifting in in-kind expense on the statement of functional expenses.

The Foundation's current capital campaign is to raise \$9 million to fund permanent exhibits and displays at the new CEC/Seabee Museum in Port Hueneme, California. In addition, capital campaign funds will support maintaining and updating the museum and its exhibits and displays as necessary.

Related Entity

In December 2003, the operations of the Port Hueneme Museum Gift Shops (Gift Shops), located in Port Hueneme, California, and Gulfport, Mississippi, previously accounted for as part of the Foundation, were transferred to The Seabee Museum Store, Inc., a separate corporation. The results of the Gift Shops' operations have not been reflected in these financial statements.

The Foundation performs limited administrative services for the Seabee Memorial Scholarship Association, Inc. (Association), a separate corporation. These administrative services consist primarily of processing donations and pledge payments mailed to the Association's post office box located in Gulfport, Mississippi. The results of the Association's operations have not been reflected in these financial statements.

CEC/SEABEE HISTORICAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The financial statements of the Foundation have been prepared in conformity with accounting principles generally accepted in the United States of America under the accrual basis of accounting. The accrual basis of accounting is the method of accounting under which liabilities and expenses are recorded when incurred, whether or not paid, and income is recorded when earned, whether or not received.

The Foundation reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are reported as part of without donor restrictions. In addition, the Foundation is required to present a statement of cash flows. As permitted, the Foundation does not use fund accounting.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as net assets with donor restrictions. When donor restrictions are met, these amounts are reclassified to net assets without donor restrictions. However, if a restriction is fulfilled in the same year in which the contribution is received, the Foundation reports that support as unrestricted.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state law, and contributions to the Foundation are tax deductible within the limitations prescribed by the IRC.

The Foundation has implemented the accounting requirements associated with uncertainty in income taxes using the provision of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. As of December 31, 2019, the Foundation has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Functional Allocation of Expenses

The cost of providing the Foundation's fund raising, program, and support services has been summarized on a functional basis in the statement of activities. Certain costs, including payroll and other office expenses, are allocated among the functional expense categories based on management's analysis of personnel time and expenses for the related activities.

CEC/SEABEE HISTORICAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are defined as demand deposits and savings accounts at local banks, cash accumulation accounts at a local brokerage firm, and highly liquid investments with an original maturity of three months or less when purchased.

Cash and cash equivalents, designated, consist of capital raised for expenses incurred to provide funding to the United States Department of the Navy for permanent exhibits in the new museum at Port Hueneme, California. These funds include no long-term donor-imposed stipulations and are therefore considered to be current assets.

Investments

The Foundation records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. The amount reported as investments represents investment in equity securities using quoted prices for identical assets in active markets (level 1). There were no changes in the valuation techniques during the current year.

Realized gains and losses related to the sale of investments are recognized as income in the period to which they relate.

Property and Equipment

Property and equipment is stated at original cost. Property and equipment is capitalized if the cost of an item exceeds the minimum value of \$100. Expenditures of major renewals and betterments that extend the useful life of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives for property and equipment used to compute the straight-line method of depreciation are as follows:

<u>Assets</u>	<u>Useful Life</u>
Furniture and Fixtures	5 - 7 years
Equipment	5 - 7 years

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If these assets are considered to be impaired, the impairment loss recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell.

CEC/SEABEE HISTORICAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Facilities

The Foundation receives the free use of office space at the United States Department of the Navy's Seabees facilities in Gulfport, Mississippi. Contributions and expenses related to the donated office space amounting to \$14,400 are included in general contributions and general and administrative expenses in the statement of activities.

Unconditional Promises to Give

Capital Campaign

The Foundation's Capital Campaign was designed to solicit promises to give to be paid over time (up to five years). Contributions are recorded at fair value as revenue at the time the promises to give are made.

The allowance for doubtful accounts at year-end represents an estimate based on delinquent promises to give at December 31, 2019. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against the existing allowance account. It is management's policy to charge off uncollectible promises to give when it is determined that the receivable will not be collected.

Conditional Promises to Give

Conditional promises to give are recognized by the Foundation as revenues when substantially all the conditions have been met.

Membership Dues

The Foundation offers annual and lifetime memberships to individuals and annual memberships to corporations. Membership dues are recorded as revenues at the time of receipt.

Liquidity and Availability of Financial Assets

The Foundation has \$530,559 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenses, consisting of cash and cash equivalents of \$329,481, \$38,812 in equity securities, and contributions receivable of \$162,266, which support operations without restrictions as to use.

CEC/SEABEE HISTORICAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2: UNCONDITIONAL PROMISES TO GIVE

In accordance with FASB ASC 958-605, unconditional promises to give, not expected to be collected within one year, are discounted. Unconditional promises to give as of December 31, 2019 consist of the following:

Unconditional promises to give, beginning	\$619,766
Current year Capital Campaign pledges	69,347
Current year payments on prior year pledges	(252,969)
Current year payments on current year pledges	(59,828)
Current year write-offs	<u>(5,000)</u>
Unconditional promises to give, ending	371,316
Less: discount on pledges	(14,526)
Less: allowance for uncollectible promises to give	<u>(62,747)</u>
Net unconditional promises to give	294,043
Less: current portion	<u>(162,266)</u>
Long-term unconditional promises to give	<u><u>\$131,777</u></u>

The unpaid portion of the unconditional promises to give is expected to be collected as follows:

One year or less	\$166,053
2020-2023	<u>205,263</u>
	<u><u>\$371,316</u></u>

Pledges receivable with due dates extending beyond one year are discounted using Treasury bill rates for similar term investments. The applicable rates at December 31, 2019 range from 1.17% to 4.51%.

There was no bad debt expense at December 31, 2019.

NOTE 3: INVESTMENTS

The Foundation's investments consist of donated equity securities valued at \$33,393 at the date of donation. The fair market value of these securities at December 31, 2019 is \$38,812.

Accounting principles generally accepted in the United States of America establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

CEC/SEABEE HISTORICAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3: INVESTMENTS (continued)

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

All of the Foundation's equity securities have been valued using Level 1 measurements.

Investment Return

The following summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2019:

	<u>Amount</u>
Interest and dividend income (including interest earned on interest bearing cash accounts)	\$ 4,896
Unrealized gain - equity securities	<u>8,572</u>
Total investment return	<u><u>\$ 13,468</u></u>

NOTE 4: RELATED PARTY TRANSACTIONS

Included in unconditional promises to give as of December 31, 2019 is approximately \$87,962 in promises to give made by Officers and Board Members of the Foundation for the Capital Campaign.

During the year ended December 31, 2019, the Foundation contributed \$450 of support to the Seabee Museum Store, Inc., a related party, that is included in program services expenses in the statement of activities. As of December 31, 2019, the Foundation owes the Seabee Museum Store, Inc. \$3,700 for contributions collected for the benefit of the Museum.

For the year ended December 31, 2019, the Foundation received and recognized \$23,000 in revenue for administrative services provided to the Seabee Memorial Scholarship Association, a related party, that is included in other sources in the statement of activities.

The Foundation has ten notes payable to Board members, related parties, as further described in Note 6.

CEC/SEABEE HISTORICAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5: PROPERTY AND EQUIPMENT

A summary of changes in property and equipment and the related accumulated depreciation is as follows:

Asset	Balance 12/31/2018	Additions	Retirements	Balance 12/31/2019
Equipment	\$ 30,903	\$ 456	\$ (1,233)	\$ 30,126
Furniture and fixtures	17,693	-	-	17,693
Total property and equipment	48,596	456	(1,233)	47,819
Less: accumulated depreciation	(37,159)	(4,341)	1,185	(40,315)
Net property and equipment	<u>\$ 11,437</u>	<u>\$ (3,885)</u>	<u>(48)</u>	<u>\$ 7,504</u>

Depreciation expense included in the statement of activities is \$4,341 for the year ended December 31, 2019.

NOTE 6: DEBT

Note Payable

The Foundation has an unsecured note payable to The H. N. and Francis C. Berger Foundation of \$6,000,000 entered into on January 15, 2008 that matures December 31, 2021. The amount drawn on the note in 2008 was \$3,700,000. At December 31, 2019, the note payable balance is \$1,813,419. The note requires quarterly payments of interest only at 5% (reduced from 7% as of January 2019) per annum, which totaled \$96,010 for the year ended December 31, 2019 and is included in program services expenses in the statement of activities. In 2008, the proceeds from the note were included in funds given to the United States Department of the Navy to initiate the construction of the new museum in Port Hueneme, California. The museum building construction was completed in October 2010.

CEC/SEABEE HISTORICAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6: DEBT (continued)

Notes Payable, Related Parties

Notes payable financed by related parties consist of ten loans from ten board members as follows as of December 31, 2019:

Note Payable - originated on December 26, 2017 in the amount of \$100,000; interest of 2.5% per annum; principal and interest payable in 20 semi-annual payments of \$5,684.37 each beginning on (or before) July 1, 2018; final payment of all unpaid principal and all accrued and unpaid interest due on January 1, 2028.	\$ 81,970
Note Payable - originated on December 26, 2017 in the amount of \$50,000; interest of 2.0% per annum; principal and interest payable in 20 semi-annual payments of \$2,771.68 each beginning on (or before) July 1, 2018; final payment of all unpaid principal and all accrued and unpaid interest due on January 1, 2028.	40,793
Note Payable - originated on May 27, 2019 in the amount of \$25,000; interest of 2.0% per annum; principal and interest payable in 20 semi-annual installments of \$1,388.04 each beginning on (or before) January 1, 2020; final payment of all unpaid principal and all accrued and unpaid interest due on July 1, 2029.	23,910
Note Payable - originated on December 27, 2017 in the amount of \$100,000; interest of 2.5% per annum; principal and interest payable in 20 semi-annual payments of \$5,683.98 each beginning on (or before) July 1, 2018; final payment of all unpaid principal and all accrued and unpaid interest due on January 1, 2028.	81,965
Note Payable - originated on December 22, 2017 in the amount of \$100,000; interest of 2.5% per annum; principal and interest payable in 20 semi-annual payments of \$5,685.93 each beginning on (or before) July 1, 2018; final payment of all unpaid principal and all accrued and unpaid interest due on January 1, 2028.	81,993
Note Payable - originated on December 28, 2017 in the amount of \$50,000; interest of 2.0% per annum; principal and interest payable in 20 semi-annual payments of \$2,773.04 each beginning on (or before) July 1, 2018; final payment of all unpaid principal and all accrued and unpaid interest due on January 1, 2028.	27,699

CEC/SEABEE HISTORICAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6: DEBT (continued)

Notes Payable, Related Parties (continued)

Note Payable - originated on September 27, 2018 in the amount of \$25,000; interest of 2.0% per annum; principal and interest payable in 20 semi-annual payments of \$1,385.69 each beginning on (or before) April 1, 2019; final payment of all unpaid principal and all accrued and unpaid interest due on October 1, 2028.	22,723
Note Payable - originated on January 8, 2018 in the amount of \$150,000; interest of 2.5% per annum; principal and interest payable in 20 semi-annual payments of \$8,571.51 each beginning on (or before) October 1, 2018; final payment of all unpaid principal and all accrued and unpaid interest due on April 1, 2028.	130,544
Note Payable - originated on January 25, 2018 in the amount of \$50,000; interest of 2.0% per annum; principal and interest payable in 20 semi-annual payments of \$2,780.79 each beginning on (or before) October 1, 2018; final payment of all unpaid principal and all accrued and unpaid interest due on April 1, 2028.	43,275
Note Payable - originated on April 3, 2018 in the amount of \$25,000; interest of 2.0% per annum; principal and interest payable in 20 semi-annual payments of \$1,392.14 each beginning on (or before) January 1, 2019; final payment of all unpaid principal and all accrued and unpaid interest due on July 1, 2028.	<u>21,665</u>
Total Notes Payable, Related Parties	556,537
Less: Current Maturities of Notes Payable	<u>(61,607)</u>
Notes Payable, related Party, net of current maturities	<u><u>\$ 494,930</u></u>

The following summarizes note payable, related party activity in the current year:

Note Payable, Related Party, beginning of year	\$ 629,302
Current year additions	25,000
Current year payments	<u>(97,765)</u>
Note Payable, Related Party, end of year	556,537
Less: current portion	<u>(61,607)</u>
Long-term Note Payable, Related Party	<u><u>\$ 494,930</u></u>

Principal and interest paid on related party loans for the year ending December 31, 2019 was \$97,765 and \$14,277, respectively.

CEC/SEABEE HISTORICAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6: DEBT (continued)

Capital Lease Payable

Capital lease entered into for the purchase of equipment is as follows, as of December 31, 2019:

Capital Lease - Hancock Bank originated on October 18, 2017 in the amount of \$3,286.00; interest 8.499% per annum; payable in one advance payment of \$110.99 on October 18, 2017 and 35 monthly payments of \$103.73 beginning the month following the commencement date; final rent payment to be determined at maturity. As a financed lease, the lessor is granted a continuing security interest in the leased equipment and in all proceeds thereof to secure Lessee's secured obligations. The lease is intended as a finance lease, as such, the lessee is obligated to purchase the equipment at the conclusion of the lease for a purchase price of \$1.

	\$ 1,094
Less: Current maturities	(1,094)
Capital Lease Obligation	\$ -

The leased asset is included in machinery and equipment on the balance sheet. Amortization expense totaled \$245 for the year ended December 31, 2019 and is included in depreciation expense on the statement of income.

Maturity Schedule

Payments on notes payable and capital lease payable in future years are as follows:

Year	Amount
2020	\$ 62,701
2021	1,877,685
2022	65,774
2023	67,317
2024	68,898
2025-2029	215,076
2030-2033	13,599
	\$ 2,371,050

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NOTE 7: JOINT COSTS

The Foundation's joint costs activities include maintaining a national database of CEC officers and Seabees, preparing and mailing a quarterly newsletter, conducting seminars highlighting significant events and activities, and producing educational and historical videos and publications. As of December 31, 2019, joint costs of \$74,874 were incurred. Of these costs, \$30,174, \$42,884, and \$1,816 were allocated to fundraising, program services, and general and administrative, respectively, in the statement of activities.

NOTE 8: CONCENTRATIONS

Credit Risk

The Foundation maintains its cash balances in two financial institutions located in Gulfport, Mississippi. The balances at these financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC). At various times there may be balances in the banks that exceed the FDIC limits. The total uninsured cash balances at December 31, 2019, were \$14,952. The Foundation maintains its cash with a high-quality financial institution which the Foundation believes limits these risks.

Donors

Five donors accounted for approximately 86% of total 2019 contribution revenue. All five donors' contributions were in the form of unconditional promises to give and 16% are recorded as contribution receivables in the statement of financial position.

NOTE 9: CONTINGENCIES

The Foundation continues to solicit promises to give to raise \$9 million to retire debt and to acquire permanent exhibits and displays for the museum. Additional capital campaign funds will support maintenance and updating of the museum and its exhibits and displays as necessary. The success of the capital campaign is contingent upon current economic conditions, on the Foundation's ability to solicit promises to give, and on its ability to collect on those promises to give.

NOTE 10: SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through March 3, 2020, the date which the financial statements were issued. No such events have been identified by the Foundation for this time period that are required to be recognized or disclosed.