

NAVAL HISTORICAL FOUNDATION

WASHINGTON, D.C.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2012



Independent Auditors' Report

Board of Directors
Naval Historical Foundation
Washington, D.C.

We have audited the accompanying financial statements of Naval Historical Foundation, which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Foundation's 2011 financial statements and, in our report dated April 6, 2012, we expressed an unmodified opinion on those financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Board of Directors
Naval Historical Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Naval Historical Foundation as of December 31, 2012, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. . The schedules on pages 13 through 16 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
April 9, 2013

Certified Public Accountants

Naval Historical Foundation

Statement of Financial Position

December 31, 2012

(With Comparative Totals as of December 31, 2011)

	2012	2011
Assets		
Current Assets		
Cash	\$ 535,092	\$ 996,702
Promises to Give	190,000	480,000
Accounts Receivable	625	8,026
Accrued Interest Receivable	2,183	2,852
Prepaid Expenses	29,602	6,711
Store Inventory	74,530	37,129
Total Current Assets	832,032	1,531,420
Investments	1,317,089	1,174,776
Promises to Give	128,570	249,664
Property and Equipment		
Furniture, Fixtures, and Equipment	124,352	113,581
Less Accumulated Depreciation and Amortization	(50,106)	(31,671)
Net Property and Equipment	74,246	81,910
Artifact Collection (Notes 2 and 10)	-	-
Total Assets	\$ 2,351,937	\$ 3,037,770
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 16,523	\$ 19,117
Deferred Revenue	40,146	51,677
Total Current Liabilities	56,669	70,794
Net Assets		
Unrestricted	1,659,749	1,627,695
Temporarily Restricted	635,519	1,339,281
Total Net Assets	2,295,268	2,966,976
Total Liabilities and Net Assets	\$ 2,351,937	\$ 3,037,770

See accompanying Notes to Financial Statements.

Naval Historical Foundation

Statement of Activities
For the Year Ended December 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
Operating Revenues				
Historical Services and Museum Store				
Sales	\$ 240,421	\$ -	\$ 240,421	\$ 72,282
Cost of Sales - Museum Store	<u>81,599</u>	<u>-</u>	<u>81,599</u>	<u>6,011</u>
Gross Profit (Loss)	158,822	-	158,822	66,271
Operating Expenses	<u>144,620</u>	<u>-</u>	<u>144,620</u>	<u>90,399</u>
Net Income (Loss)	<u>14,202</u>	<u>-</u>	<u>14,202</u>	<u>(24,128)</u>
Support and Other Revenues				
Donations	247,571	223,844	471,415	639,621
Facility Rental	3,000	-	3,000	9,000
Membership Dues	26,299	-	26,299	14,838
Royalties - Navy Book/Calendar/Store	3,343	-	3,343	14,468
Other Revenues	197	-	197	7,965
Net Assets Released from Restrictions	<u>927,606</u>	<u>(927,606)</u>	<u>-</u>	<u>-</u>
Total Support and Other Revenues	<u>1,208,016</u>	<u>(703,762)</u>	<u>504,254</u>	<u>685,892</u>
Total Operating Revenues	<u>1,222,218</u>	<u>(703,762)</u>	<u>518,456</u>	<u>661,764</u>
Operating Expenses				
Program Expenses				
Naval Historical Foundation	263,297	-	263,297	195,468
Museum Support	870,664	-	870,664	1,147,661
Naval History and Heritage Command Support	<u>21,332</u>	<u>-</u>	<u>21,332</u>	<u>63,485</u>
Total Program Expenses	1,155,293	-	1,155,293	1,406,614
Office Administration and Management	116,435	-	116,435	107,561
Fund-Raising	<u>76,713</u>	<u>-</u>	<u>76,713</u>	<u>248,632</u>
Total Operating Expenses	<u>1,348,441</u>	<u>-</u>	<u>1,348,441</u>	<u>1,762,807</u>
Excess of Operating Expenses over Operating Revenues	(126,223)	(703,762)	(829,985)	(1,101,043)
Investment Income				
Interest and Dividends	48,320	-	48,320	39,416
Net Investment Gain (Loss)	105,813	-	105,813	(39,082)
Other Revenue - Sales of Artifacts	<u>4,144</u>	<u>-</u>	<u>4,144</u>	<u>4,533</u>
Increase (Decrease) in Net Assets	<u>\$ 32,054</u>	<u>\$ (703,762)</u>	<u>\$ (671,708)</u>	<u>\$ (1,096,176)</u>

See accompanying Notes to Financial Statements.

Naval Historical Foundation

Statement of Changes in Net Assets
 For the Year Ended December 31, 2012
 (With Comparative Totals for the Year Ended December 31, 2011)

	<u>Unrestricted</u>					
	<u>Operating</u>	<u>Board Designated Artifact Collection Support</u>	<u>Total Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
Balance at Beginning of Year	\$ 1,536,656	\$ 91,039	\$ 1,627,695	\$ 1,339,281	\$ 2,966,976	\$ 4,063,152
Increase (Decrease) in Net Assets	<u>33,018</u>	<u>(964)</u>	<u>32,054</u>	<u>(703,762)</u>	<u>(671,708)</u>	<u>(1,096,176)</u>
Balance at End of Year	<u>\$ 1,569,674</u>	<u>\$ 90,075</u>	<u>\$ 1,659,749</u>	<u>\$ 635,519</u>	<u>\$ 2,295,268</u>	<u>\$ 2,966,976</u>

See accompanying Notes to Financial Statements.

Naval Historical Foundation

Statement of Cash Flows
For the Year Ended December 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)

	2012	2011
Cash Flows from Operating Activities		
Decrease in Net Assets	\$ (671,708)	\$ (1,096,176)
Adjustments to Reconcile Increase in Net Assets to Net Cash Used in Operating Activities		
Depreciation and Amortization	18,433	4,543
Net Investment (Gain)/Loss	(105,813)	39,082
<u>(Increase) Decrease in Assets</u>		
Promises to Give	411,095	529,896
Accounts Receivable	7,401	-
Accrued Interest Receivable	669	2,030
Prepaid Expenses	(22,891)	-
Inventory	(37,402)	(37,129)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	(2,594)	4,866
Deferred Revenue	(11,531)	(5,514)
	(414,341)	(558,402)
Net Cash Used in Operating Activities	(414,341)	(558,402)
Cash Flows from Investing Activities		
Sales and Redemptions of Investments	683,632	8,846
Purchases of Investments	(720,132)	(37,608)
Purchase of Website	-	(62,000)
Purchase of Equipment	(10,769)	(15,112)
	(47,269)	(105,874)
Net Cash Used in Investing Activities	(47,269)	(105,874)
Net Decrease in Cash	(461,610)	(664,276)
Cash at Beginning of Year	996,702	1,660,978
Cash at End of Year	\$ 535,092	\$ 996,702

See accompanying Notes to Financial Statements.

Naval Historical Foundation

Notes to Financial Statements December 31, 2012

1. ORGANIZATION

Naval Historical Foundation (the "Foundation") was incorporated as a nonprofit organization in the District of Columbia on March 13, 1926, to portray the role of seapower in the development of the United States.

The Foundation's mission is preservation, education, and commemoration; to acquire and preserve artifacts and memorabilia pertaining to the history and traditions of the United States Navy, and to diffuse knowledge respecting such history and traditions. The Foundation operates a museum store and a historic photograph and document reproduction service as part of a support agreement with the Naval History and Heritage Command in the Washington, D.C., Navy Yard. Besides offering a nationwide oral history program and a naval history speakers service, the Foundation co-sponsors naval history conferences and symposia with other naval heritage organizations, and provides important financial support for the United States Navy's history programs and the National Museum of the United States Navy's exhibits and educational programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Promises to Give

Promises to give that are scheduled to be received after the end of the reporting period are shown as increases in temporarily restricted net assets and reclassified to unrestricted net assets when the purpose or time restriction is met. Contributions to be received after one year are discounted at the risk-adjusted rate applicable to the years in which the promises are to be received. Amortization of any discount is recorded as contribution support. Management believes all promises to give are collectible at December 31, 2012.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts, if any. The Foundation provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of customers to meet their obligations. Receivables are considered impaired if full payments are not received in accordance with the contractual terms. It is the Foundation's policy to charge off uncollectible accounts receivable when management

Naval Historical Foundation

**Notes to Financial Statements
December 31, 2012**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

determines the receivables will not be collected. The Foundation's management believes that accounts receivable are fully collectible at December 31, 2012.

Inventory

Inventory of museum store merchandise is stated at cost, with cost being determined using the first-in, first-out (FIFO) method.

Investments

Investments in securities are reported at fair value and, accordingly, gains or losses resulting from market fluctuations are recognized in the statement of activities in the period in which they occur.

Property and Equipment

Property and equipment additions in excess of \$1,000 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to seven years. Depreciation expense for 2012 was \$18,433.

Artifact Collection

The Foundation does not capitalize its historical collection. The historical collection consists of documents and artifacts of historical significance that are held for educational, research, and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. Proceeds from deaccessions are reflected as increases in unrestricted net assets.

Net Assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, its accounts are maintained by classes of net assets. Consequently, resources are classified for accounting and reporting purposes into three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The Foundation did not have any permanently restricted net assets at December 31, 2012.

Naval Historical Foundation

Notes to Financial Statements December 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Facilities

The Foundation occupies premises, without charge, located in a government-owned building. There is no clearly measurable or objective basis for determining the estimated fair rental value of the government-owned premises. Accordingly, no value has been reflected in the statement of activities.

Uncertainty in Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2012.

The Foundation's policy would be to recognize interest and penalties, if any, on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. No interest and penalties were assessed or recorded during fiscal years 2012.

The Foundation's Forms 990, *Return of Organization Exempt from Income Tax*, that have been filed as of December 31, 2012, for fiscal years 2011, 2010, and 2009 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

Naval Historical Foundation

Notes to Financial Statements December 31, 2012

3. CONCENTRATION OF CREDIT RISK

The Foundation has cash deposits in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC), up to certain limits. As of December 31, 2012, bank deposits exceeded the FDIC insurance limit by approximately \$292,000.

4. PROMISES TO GIVE

Promises to give are due to be collected as follows:

For the Years Ending December 31,

2013	\$ 190,000
2014	90,000
2015	35,000
2016	15,000
	<hr/>
	330,000
Discounted at 5%	<hr/>
	(11,430)
	<hr/>
Present Value of Promises to Give	<u><u>\$ 318,570</u></u>

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

As of December 31, 2012, the Foundation's only assets or liabilities measured at fair value on a recurring basis consisted of the following:

	<u>Fair Value</u>	<u>Level 1</u>
Money Market Fund	\$ 13,242	\$ 13,242
Equities	533,521	533,521
Mutual Funds - Specialty	66,430	66,430
Mutual Funds - Equities	128,434	128,434
Mutual Funds - Fixed Income	575,462	575,462
	<hr/>	<hr/>
	<u>\$ 1,317,089</u>	<u>\$ 1,317,089</u>

Financial assets valued using Level 1 inputs are based on quoted prices for identical assets within active markets.

Financial assets valued using Level 2 inputs, if any, are based primarily on quoted prices for similar assets in active or inactive markets.

Naval Historical Foundation

**Notes to Financial Statements
December 31, 2012**

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Financial assets valued using Level 3 inputs, if any, are based on unobservable inputs to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. The fair value measurement objective is to determine an exit price from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect the Foundation's judgment about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances, which might include the Foundation's own data.

None of the Foundation's financial assets are valued using Level 2 or Level 3 inputs.

Investment Account return consisted of the following:

Interest and Dividends	\$ 47,033
Net Realized and Unrealized Gain on	<u>105,813</u>
Total Investment Account return	<u><u>\$ 152,846</u></u>

6. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2012, the Foundation had net assets temporarily restricted for the following purposes:

Cold War Gallery Project	\$ 564,067
Development Director	<u>71,452</u>
	<u><u>\$ 635,519</u></u>

During 2012, temporarily restricted net assets were released from restrictions for the following purpose restrictions:

Cold War Gallery Project	\$ 800,877
Development Director	28,548
S.T.E.M.	69,602
Website	<u>28,579</u>
	<u><u>\$ 927,606</u></u>

Naval Historical Foundation

Notes to Financial Statements December 31, 2012

7. RETIREMENT PLAN

The Foundation has a 403(b) plan for all eligible employees who meet length of service requirements. The Foundation matches up to 5% of compensation deferred by employees. The retirement plan cost for the year ended December 31, 2012, was \$16,895.

8. NATIONAL MUSEUM OF THE UNITED STATES NAVY EVENTS

During 2007, the Foundation was granted a five-year license by the United States Navy to generate revenue in support of the National Museum of the United States Navy through the rental of facilities to the public, commercial and non-profit entities, state and local governments, and other federal agencies. This facilities rental program permits the Foundation to offer individuals and organizations the opportunity to hold events in a setting where the history and heritage of the United States Navy can be experienced and appreciated. This program supports the Foundation's mission of promoting increased support for the United States Navy's historical programs in general and its museums in particular. Proceeds from these events will be made available to the National Museum of the United States Navy through current gift acceptance policies of the United States Department of the Navy. In February 2012, the Navy extended the license for another five-year period, ending in January 2017.

9. OPERATING LEASE

The Foundation leases a copier under a lease that expires in 2017. Rental expense for the year ended December 31, 2012, was \$5,628.

Minimum future lease payments under the lease are as follows:

<u>For the Years Ending December 31,</u>	
2013	\$ 5,520
2014	5,520
2015	5,520
2016	5,520
2017	<u>4,140</u>
Total Minimum Future Lease Payments	<u><u>\$ 26,220</u></u>

10. ARTIFACT COLLECTION

The Foundation has catalogued approximately 4,000 documents and artifacts of historical interest, obtained as donations during the 87-year life of the Foundation. The collection is not included in the financial accounts of the Foundation because its value is not determinable at a reasonable cost. Although the historical collection has not been valued,

Naval Historical Foundation

**Notes to Financial Statements
December 31, 2012**

10. ARTIFACT COLLECTION (CONTINUED)

management believes that it has significant value. The collection is being dispersed through donation to appropriate government and non-profit museum, library, and archival organizations.

The Foundation maintains the collection in a secured facility at the Washington Navy Yard in Washington, D.C. Expenses of maintaining the collection of \$5,108 are included in Naval Historical Foundation program expenses on the statement of activities.

11. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through April 9, 2013, the date on which the financial statements were available to be issued.

Supplementary Information

Naval Historical Foundation

Combining Schedule of Historical Services and Museum Store Operating Expenses
 For the Year Ended December 31, 2012
 (With Comparative Totals for the Year Ended December 31, 2011)

	<u>Unrestricted</u>			
		Board Designated Artifact Collection Support	Total 2012	Total 2011
	<u>Operating</u>			
Historical Services Operating Expenses				
Bank Service Charges	\$ 3,763	\$ -	\$ 3,763	\$ 4,423
Depreciation	376	-	376	1,502
Photo Reprints	23,619	-	23,619	6,684
Postage and Shipping	7,535	-	7,535	9,037
Salaries, Benefits, and Payroll Taxes	13,452	-	13,452	37,232
Supplies	2,059	-	2,059	5,307
Total Historical Services Operating Expenses	50,804	-	50,804	64,185
Museum Store Operating Expenses				
Advertising	-	-	-	3,700
Bank Service Charges	7,241	-	7,241	599
Consultant	1,017	-	1,017	-
Depreciation	2,541	-	2,541	381
Equipment	-	-	-	1,266
Photo Research	92	-	92	-
Postage and Shipping	2,140	-	2,140	-
Salaries, Benefits, and Payroll Taxes	68,711	-	68,711	12,058
Subscriptions	1,761	-	1,761	422
Supplies	8,010	-	8,010	6,859
Telephone	2,303	-	2,303	929
Total Museum Store Operating Expenses	93,816	-	93,816	26,214
Total Historical Services and Museum Store Operating Expenses	\$ 144,620	\$ -	\$ 144,620	\$ 90,399

Combining Schedule of Expenses
For the Year Ended December 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)

	<u>Unrestricted</u>		<u>Total 2012</u>	<u>Total 2011</u>
	<u>Operating</u>	<u>Board Designated Artifact Collection Support</u>		
Naval Historical Foundation				
Advertising	\$ 15,083	\$ -	\$ 15,083	\$ 5,235
Amortization	9,300	-	9,300	-
Artifact Collection Support	-	-	-	4,518
Awards	4,827	-	4,827	1,026
Bank Service Charges	2,214	-	2,214	3,826
Conferences	2,984	-	2,984	22,014
Consultants	37,096	-	37,096	26,440
Depreciation	5,284	-	5,284	2,261
Equipment	9,061	-	9,061	6,747
Facility Rental Expenses	1,977	-	1,977	4,647
Historical Events	26,249	-	26,249	-
Insurance	8,865	-	8,865	5,701
Internet	172	-	172	679
Miscellaneous	1,337	-	1,337	1,383
Oral History	11,883	-	11,883	9,499
Postage and Shipping	14,794	-	14,794	6,377
Printing	15,186	-	15,186	8,903
Salaries, Benefits, and Payroll Taxes	81,353	-	81,353	66,002
Subscriptions	2,311	-	2,311	3,127
Supplies	3,003	-	3,003	7,708
Telephone	6,290	-	6,290	4,811
Travel	4,028	-	4,028	4,564
Total Naval Historical Foundation	\$ 263,297	\$ -	\$ 263,297	\$ 195,468
Museum Support				
Cold War Gallery Exhibit	\$ 472,240	\$ -	\$ 472,240	\$ 877,091
Cold War Gallery Education	93,988	-	93,988	49,930
Cold War Gallery Website	20,250	-	20,250	20,545
Navy Museum	8,238	-	8,238	28,328
Salaries, Benefits, and Payroll Taxes	275,948	-	275,948	171,767
Total Museum Support	\$ 870,664	\$ -	\$ 870,664	\$ 1,147,661

Combining Schedule of Expenses
For the Year Ended December 31, 2012
 (With Comparative Totals for the Year Ended December 31, 2011)

	<u>Unrestricted</u>		<u>Total 2012</u>	<u>Total 2011</u>
	<u>Operating</u>	<u>Board Designated Artifact Collection Support</u>		
Naval History and Heritage Command Support				
Art Gallery	\$ -	\$ -	\$ -	\$ 110
Consultants	180	-	180	12,294
Contemporary History	254	-	254	1,045
Curator	-	4,362	4,362	-
Commemorations	6,875	-	6,875	9,819
Events	6,029	-	6,029	-
Library	-	746	746	3,415
Operational Archives	-	-	-	205
Salaries, Benefits, and Payroll Taxes	-	-	-	32,981
Senior Historian	-	-	-	1,000
Telephone	2,886	-	2,886	2,616
	<u>2,886</u>	<u>-</u>	<u>2,886</u>	<u>2,616</u>
Total Naval History and Heritage Command Support	<u>\$ 16,224</u>	<u>\$ 5,108</u>	<u>\$ 21,332</u>	<u>\$ 63,485</u>
Office Administration and Management				
Advertising	\$ 2,112	\$ -	\$ 2,112	\$ 924
Bank Service Charges	27	-	27	644
Depreciation	932	-	932	399
Equipment	1,599	-	1,599	933
Insurance	1,564	-	1,564	1,006
Internet	18	-	18	45
Investment Fees	11,202	-	11,202	8,846
Miscellaneous	57	-	57	10
Postage and Shipping	2,552	-	2,552	1,389
Professional Services	34,291	-	34,291	42,966
Salaries, Benefits, and Payroll Taxes	60,045	-	60,045	47,951
Subscriptions	408	-	408	576
Supplies	542	-	542	1,031
Telephone	1,086	-	1,086	841
	<u>1,086</u>	<u>-</u>	<u>1,086</u>	<u>841</u>
Total Office Administration and Management	<u>\$ 116,435</u>	<u>\$ -</u>	<u>\$ 116,435</u>	<u>\$ 107,561</u>
Fund-Raising				
Cold War Gallery Campaign	\$ 14,084	\$ -	\$ 14,084	\$ 70,444
Direct Mail	-	-	-	93,154
Salaries, Benefits, and Payroll Taxes	62,629	-	62,629	85,034
	<u>62,629</u>	<u>-</u>	<u>62,629</u>	<u>85,034</u>
Total Fund-Raising	<u>\$ 76,713</u>	<u>\$ -</u>	<u>\$ 76,713</u>	<u>\$ 248,632</u>

Naval Historical Foundation

**Schedule of Changes in Investments
For the Year Ended December 31, 2012**

	Cost	Unrealized Gain (Loss)	Fair Market Value
Beginning of Year	\$ 1,056,292	\$ 118,484	\$ 1,174,776
Interest and Dividends (A)	47,702	-	47,702
Realized Gain	34,841	-	34,841
Unrealized Gain	-	70,972	70,972
Investment Management Fees	(11,202)	-	(11,202)
End of Year	\$ 1,127,633	\$ 189,456	\$ 1,317,089

(A) Interest and Dividends - Accrual Basis	\$ 48,320
Less 2012 Checking Account Interest	(1,287)
Interest and Dividends from Investments - Accrual Basis	47,033
Add Accrued Interest at Beginning of Year	2,852
Less Accrued Interest at End of Year	(2,183)
Interest and Dividends from Investments - Cash Basis	\$ 47,702