

The American Air Museum in Britain

Trustees Report and Financial statements

As at 31 December 2021

Together with the Independent Auditors' Report

The American Air Museum in Britain Trustees' Report 2021

1. Introduction

Role of the American Air Museum in Britain

The mission of the American Air Museum in Britain (AAMB) is to honour the sacrifices of America's airmen and women, past, present and future, who served in the UK. It seeks to achieve this by supporting the operation of the American Air Museum (AAM), enabling the development and running of programmes of education and promoting the role of the Museum through its innovative website.

The Museum itself is located at IWM Duxford. The American Air Museum stands as a memorial to almost 30,000 U.S. airmen and women who gave their lives flying from British shores during the Second World War, as well as the countless thousands of US air force and support personnel who served in myriad capacities and survived. It presents some of the best collections of American military aircraft on public display outside of North America and is the only facility of its kind outside of the United States that commemorates and highlights the special bond between the United States and the United Kingdom. Since opening in 1997 the American Air Museum has welcomed over 7.7 million visitors.

The charitable work of the American Air Museum in Britain supports the maintenance and operation of the facilities and preservation of the world-class collections of the American Air Museum at IWM Duxford, together with innovative learning programmes and a website that is the authoritative first port of call for anyone looking for information about the air war as fought by the US Army Air Forces from the UK during World War 2.

2. Review

2.1 The American Air Museum in Britain

The charitable work of the American Air Museum in Britain has provided crucial support in the ongoing fulfilment of this mission. We are grateful for the loyal support from members and generous donations from our supporters and trustees.

Working with the strength of the IWM brand, the successful operation of IWM Duxford ensures that a large audience has access to the powerful displays of the American Air Museum and its related learning programmes.

The American Air Museum at IWM Duxford is listed at Grade II*. The curved concrete roof, inspired by the stressed skin structure often seen in aircraft construction, together with its ring-shaped geometry resembling the cockpit of a modern fighter jet, act as aeronautical metaphors in a dramatic yet simple way. Its resemblance to a Second World War blister hangar also adds to Foster's flying symbolism.

Renato Niemis' evocative memorial sculpture, 'Counting the Cost' which is made up of 52 large glass panels engraved with cross-like silhouettes of the 7,031 American aircraft that went missing in action, resembles both the massed formations of aircraft and the regimented lines of a war cemetery.

2.2 Impact of Covid-19

The cultural sector has been one of the most affected by the global Covid-19 pandemic. IWM and the American Air Museum has been no exception. It has disrupted our ability to engage with

our audiences, generate essential income and manage our collections and estate. Restrictions on indoor venues because of the pandemic meant that the AAM was closed from January until May 2021. School visits did not resume until September 2021.

The international aspect of the American Air Museum has meant we are used to engaging digitally and this continued through the pandemic.

2.3 Collections development

The pandemic forced us to pause development of the supporting display for the MQ-1 predator which we received as a donation from General Atomics. We will resume progress with this in the next year.

Forest Dowling's (Michael Dowling's father) Eagle Squadron cap badge was added to the showcase in the museum.

The museum resumed collecting activity after the pandemic, so we made some new acquisitions:

- We converted the collection of Bill McGinley (on display in the museum) from a loan to a gift, and also acquired his wartime medals, including a Purple Heart. Bill was a B-24 tail gunner who was shot down and declared killed in action in 1944, when in reality he was evading capture in Belgium. Conversations are ongoing with exhibitions about putting the medals on display
- We acquired two knitted fair isle sweaters worn by Robert Birney (B-17 Navigator) that were made for him by his Northern Irish cousin Mary Martin after he stayed with her during the Second World War
- We approved acquisition of Arthur McCray's photo collection, which shows the Control Tower at Raydon, and his experience of the UK

The curator also began a review of all Second World War era USAAF material in our collection, which will improve information we have about what we hold and identify gaps in our holdings.

2.4 Duxford Masterplan work and estates strategy

A Masterplan has been approved for IWM Duxford. The plan proposes the physical redevelopment and refurbishment of the buildings, exhibitions, landscape and infrastructure to reshape how the site is organised and operates. It also seeks to modernise the public offer to continue to be relevant and attract, engage and enthuse contemporary audiences. A key ambition of the masterplan is to put the historic site at the heart of the visitor experience, capitalising on the 'sense of place' and physical potential of the historic buildings, airfield, landscape and vistas to create a unique setting for a national visitor attraction. The AAM is an integral part of this with the story of the US Army Air Force woven into the physical fabric and intangible memory and sense of place at Duxford.

A hotel is planned for IWM Duxford, and this should open in 2024. This will enable visitors to Duxford to more easily have an extended visit to give the site the time needed.

A legacy has been gifted to IWM that will enable a powerful and important presentation of the USAAF's role at Duxford in the very rooms used by the 78th Fighter Group in 1944. This

generous gift will be the catalyst for our fundraising to deliver our first major exhibition of the Duxford Masterplan and launch the transformation of one of our most important historic spaces.

The project is part of our wider programme of change for IWM Duxford. Over the next 10 years we will transform the visitor experience at IWM Duxford creating 6 major new exhibitions, 3 of these in our original First World War hangars. Our ambitions are to deliver:

- A sense of place, connecting visitors with the history that happened on this very site.
- A place where visitors can see the working airfield as it has been for over 100 years, with daily flights by some of the most iconic, historic military aircraft in the world.
- New world-class exhibitions, experiences and events that draw increasing numbers of visitors, growing from 397,000 p.a. in 2018, to 550,000 p.a. by 2030.
- A coherent narrative joining together all the content on site from our origins in the First World War through 20th and 21st century conflicts.
- Access to historic buildings and spaces never before opened to the public.
- The stories we will bring to the fore will allow visitors to explore common themes as they experience the site.

2.5 Partnerships and engagement

Members and IWM have continued to greatly benefit from the digital activities we have delivered through the Wartime Aviation Heritage sub-network. The curator of the American Air Museum continues to contribute to the Network, and peers in the sector are now able to reach out to IWM colleagues through our searchable online directory of SSN members, which includes their basic information and their particular subject specialisms/skills (including a specific filter for Wartime Aviation Heritage). Our funding for this sub-network has now ended and we will continue to work with members who are interested in Wartime Aviation Heritage by absorbing this strand into our core War and Conflict Subject Specialist Network programme (of more than 700 members), and maintaining our relationships with Aviation Heritage UK and Military Aviation Heritage Networks.

The curator did a great deal of curatorial consultancy work throughout 2021 for Masters of the Air. Areas advised on included: the B-17 Flying Fortress, bombing missions, prisoner of war camps, African American troops, crew equipment and wartime London. She also participated virtually in the 8th Air Force Historical Society Reunion in Savannah.

The museum received some national media attention: volunteers working to clean the aircraft in the AAM featured in Channel 5s' *Secrets of the Imperial War Museum*, and the curator spoke about the USAAF's relationship with popcorn on BBC's *Inside the Factory*. The curator also advised Alasdair Cross about American spitfires on the book *Spitfire Kids*, which also includes the story of Michael Dowling (the first baby born to Anglo-American parents during the Second World War) whose story is featured in the AAM.

Visits were limited by the pandemic but included:

Academics from Cranfield University's forensic institute made research visits to look at the B-17 in June and November, which were respectively ahead of and as a result of an archaeological dig they were undertaking in Germany to excavate a crashed B-17 Flying Fortress. They were

working with the DPAA to identify and repatriate the remains of fallen servicemen, the outcome is not public yet, but their work is set to continue into 2022.

The Lt Col Ian “Dingo” McLaughlin, Commanding officer of the newly-reactivated 495th Tactical Fighter Squadron, visited in late September alongside James “Rusty” O’Brien (Commanding officer when the squadron disbanded in 1993). Rusty’s kit is on display, and he and Dingo are keen to renew the historic relations established with the 495th as they begin to fly operations out of Lakenheath.

Robert Paley, Wing Historian for the 100th Air Refuelling Wing at Mildenhall visited and met with the curator and other IWM staff to discuss ways we could collaborate to mark notable American anniversaries in 2022, including 80 years since arrival of the USAAF, 25 years of the American Air Museum and 75 Years of the US Air Force.

The museum was able to once again lay a tribute at Cambridge’s American cemetery on Memorial Day in May 2021, and staff attended the Veteran’s Day ceremony on 11 November. Both events had been cancelled in 2020.

2.6 American Air Museum in Britain website (americanairmuseum.com)

Since the American Air Museum in Britain website launched it has become the most important digital feature in the landscape of Anglo-American Second World War history. The website is our most vital tool in achieving the primary aim of the American Air Museum: to record and recognise the service of American airmen in Britain. It is a crucial strand of our activity and the most valuable way of engaging our audiences in the United States and across the globe.

As the forefront of the American Air Museum’s programming for the year to date, it has witnessed strong levels of engagement throughout 2021 with 467,000 users and 2.5 million pageviews.

To ensure we can continue this momentum, we have commenced the project to redevelop the AAM website. This project will reinvigorate the AAM website to ensure that the AAM’s digital presence can continue to grow successfully in line with changing circumstances. A fundraising target of \$175,000 was established which has been achieved with generous contributions and pledges from major donors and trustees.

The project started in July 2021. To date, the priority has been conducting research to identify the primary functions and purposes of the project:

- Improving user experience, including improved navigation
- Incorporating the AAMB microsite
- Encouraging conversions: donations and contributions of information
- Improving administration
- Sustainability and futureproofing

These priorities have been identified through conversations with key stakeholders, investigation into how audiences are using americanairmuseum.com, and looking at ways that user journeys can be improved. This work is part of an ongoing process, which will ensure we can continue working on improvements and new functions throughout the lifetime of the redeveloped website.

We are working towards a summer 2022 completion date, to tie in the with significant American anniversaries, including the first USAAF mission from Britain, 25 years of the American and Air Museum building at IWM Duxford and the 75th Birthday of the USAF occurring around that time.

2.7 Membership and fundraising

The new Endowment fund, the Anglo-American Alliance, has been established to ensure the long-term survival of the museum and to help keep alive the memory of the sacrifice of nearly 30,000 U.S. fliers based in the United Kingdom in WWII. The museum remains a unique memorial and reminder to the next generations far into the future.

The Endowment Fund is intended as a vehicle to attract new funding now and for many years, which will ensure our mission is fulfilled. It is a dedicated and permanent source of funding that will serve as a secure financial foundation for the Museum's many activities, not least preserving the large objects at the Museum and broadening knowledge of the sacrifice of those who built, repaired, flew and died in them.

The Museum continues the donor brick campaign. This enables supporters to honor a loved one and support the Museum, through the purchase of a donor brick through the 'Step into History' campaign. Bricks can be personalised with a unique laser engraved inscription. They will be installed around the Honor Guard statue. This important campaign will support the Museum but also enable a new unique opportunity for recognizing veterans.

We continue to build our major gifts program. Through our efforts we are developing knowledgeable and engaged donors to maintain a predictable and proven donor pool capable of increasing major gifts. The major gifts programme is broad-based.

Membership is still a source of income and profile with a donor base of over 10,000 members. Members of the American Air Museum in Britain may use the AAM website to renew their membership online.

2.8 Public Engagement and Learning activity

Engaging public learning activities at the American Air Museum continued in 2021, despite disruption due to Covid. Since May 2021 we have had 5,423 Family Visitors taking part in both of these activities. Family programmes run seven days per week during all school holidays, and on strategic weekends, so there is constant family presence in the American Air Museum during this period. School visits returned to site in September 2021.

An overview of delivered activity is below:

Cockpit Command:

Cockpit command continued in 2021 as a STEM focussed activity. It is fronted by well-known UK children's TV presenter and writer, Ben Shires.

Cockpit command takes participants through the same process the USAF went through in the late 1940's in order to design cockpits to fit pilots rather than relying on the law of averages used in previous designs. Families have the opportunity to design their perfect cockpit through a

process of experiments and tests whilst learning about how this increased pilot performance and safety. Cockpit Command specifically references and is partly inspired by the story of Col Kim Campbell who was able to safely land her damaged A-10 partly due to these developments.

Feedback from families include:

"really fun and good for older children"

Two ex-teachers commented, *"This activity is really well-paced and brilliantly devised."*

D-Day Family Mission:

Our Family Mission continues to be popular with families and the backpacks are now handed out from the new Visitor Planning Point in Airspace rather than from retail areas. This has been very effective and during the summer the backpacks were fully distributed by 12pm most days.

Families use interactive storytelling 'backpacks' to tell the story of a young paratrooper being guided by his Dakota pilot on the eve of D-Day. The final act of the trail takes place under the Dakota in the AAM with a specially commissioned piece of writing used to tell the story of the airborne operation on D-Day. This activity launched over the 75th anniversary week in 2019 and has been run since to encourage families to share stories and learn together. There has been outside interest in this programming from the wider museum sector including the Smithsonian Institution. The D-Day Backpacks were also nominated as best "Free Activity" in the Kids Family Favourites awards.

Shadow of the Future:

Shadow of the Future has not run in 2021 but will be reinstated in spring 2022 when we return to a full programme. This activity uses game theory and the prisoner dilemma to introduce the collection of the AAM and how it relates to the Cold War. We are currently in the process of revising the session structure and technology of this activity in order to increase engagement and bookings through word of mouth and marketing campaigns. A new digital trailer is also being developed which will be launched alongside the revised activity.

Documentary Challenge:

Documentary Challenge continues to be a key part of our schools programming. Since starting again in September 2021, over 1,550 students took part, despite cancellations because of the concerns around the Omicron variant. The programme allows learners to create their own documentaries as producers of the fictional Smash TV, finding the stories that are "too important" to be kept inside the museum walls. The AAM continues to be a popular location for this work due to high impact recognisable aircraft and engaging stories.

Airforce Actions Station

This tablet-based games experience was developed in collaboration with digital studio Friday Sundae and BBC presenter Ben Shires. The programme was finally fully launched in May, after several pandemic related delays, and audience feedback was overwhelmingly positive.

One parent described the experience as "excellent" for her son with ADHD as he was restless but then thoroughly engaged in the game with his sister for the full 30 minutes.

People enjoyed moving around the gallery looking at different planes and trying different tasks for each as the variety was engaging and “really kept us occupied”.

We are still working with the developers on the experience length and now audiences have the option of doing 20 minutes, 30 minutes and 45 minutes versions.

3 Financial Results

In total income, net of the cost of direct mail, has increased by 177% compared to the previous year. This includes monies received towards the new Endowment Fund, the Anglo-American Alliance, of \$1,003,730. These funds are designated as “Restricted Temporarily” at present. If these monies are excluded all other income is up by 17.5% on 2020.

Trustee giving remains important to the AAM and plans are now formulated to increase major gift income going forward. We are very grateful to our trustees who help foster patronage from their own sources and connections.

Income includes the generous provision of legal services pro-bono from Gibson Dunn. In addition a virtual event was held in November to cultivate donors, which was supported directly by trustees as well with in-kind donations, especially from Matrix and Avalon.

During the year there was a specific campaign to raise funds for the redevelopment of the website. This has been successful in exceeding the target of \$175,000 by \$32,000. These funds are designated as “Restricted Operational.”

This success has been to the detriment of other unrestricted giving. This means that the program grant to the Imperial War Museum can only be \$40,000 and is short of the original ambition by over \$180,000. This grant is towards the funding necessary for learning activities, support for the digital programme and the maintenance of the physical museum together with the exhibitions and the collections therein.

4 Governance

We have a routine of robust reporting to the Board of Trustees on how grants from the American Air Museum in Britain are spent. We have improved transparency by publishing, via our website, data such as links to the annual Form 990, audited accounts and other documents considered of interest to our stakeholders.

The Main Board meets three times a year. In addition, it has two active Committees: the Board Development Committee, which oversees fundraising, the Audit and Board Affairs Committee, which considers the scope of the annual audit and the outcomes therefrom, nominations to the Board and all aspects of governance, including the performance and management of the endowment and Charitable Gift Annuity funds.

4.1 Code of ethics

A formal code of ethics is not required by US law but its adoption helps demonstrate our commitment to carry out our responsibilities ethically and effectively. A number of measures in this regard are already in place.

The Audit and Board Affairs Committee oversees various aspects of the American Air Museum's governance functions on behalf of the Board, including:

- Periodically reviewing Board performance
- Maintaining oversight of procedures for compliance with significant applicable legal, ethical and regulatory requirements that impact American Air Museum governance
- Ensuring robust and respectful board-management interaction

Existing American Air Museum policies, such as the Conflict of Interest Policy and the Whistleblower Policy, also form part of this code.

4.2 Whistleblowing policy

The American Air Museum Whistleblowing Policy is included in the Amended & Restated By-Laws, Article XIII. The Compliance Officer is Chair, Audit and Board Affairs Committee.

4.3 Conflict of interest

The American Air Museum Conflict of Interest Policy includes a written declaration to ensure that each new member of the Board of Trustees is advised of this policy upon entering their duties of office. Every new Board member is required to sign a statement acknowledging understanding of an agreement to this policy. Furthermore, a verbal declaration of a conflict of interest is also required of trustees at the commencement of every Board meeting.

4.4 Risk management

Risk management is viewed as a dynamic process which actively seeks to incorporate good practice. It is responsive and managed through regular review of both internal developments and external factors such as the political, social, economic and legal developments that may influence our exposure to risks or opportunities. The American Air Museum in Britain risk register is periodically updated to assess the main risks faced by the charity and the effectiveness of the controls in place to manage and mitigate these risks. It is reviewed and updated by the Board.

Over the course of the year one risk is noted as Red (high). This relates to the progress that has been made with fundraising and the capacity to generate sufficient resources to support the ambitions of the American Air Museum. Trustees are addressing this actively with the creation of a new post of Director of Development in 2022. Overall the control system is designed to manage risk to a reasonable level, rather than eradicate all risk of failure. It can therefore only provide reasonable and not absolute assurance of effectiveness.

On behalf of the Trustees

Dame Diane Lees DBE
Vice Chair

Date

American Air Museum in Britain Trustees' Responsibility Statement Respective responsibilities of the Trustees

In preparing the financial statements, giving a true and fair view, the trustees have followed best practice and:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Have followed applicable accounting standards, subject to any departures disclosed and explained in the accounts;
- Prepared the financial statements on a going concern basis, unless it is inappropriate to presume that the organisation will continue in operation;
- As far as they are aware, there is no relevant information of which the organisation's auditors are unaware of; and
- Have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the organisation's auditors are aware of that information.

The trustees are responsible for keeping accounting records, which disclose with reasonable accuracy the financial position of the AAM. They are also responsible for safeguarding the assets of the AAM and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF AMERICAN AIR MUSEUM IN BRITAIN

Opinion

We have audited the financial statements of the American Air Museum in Britain for the year ended 31 December 2021 which comprise the Statement of Financial Position, Activities and Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and accounting principles generally accepted in the United States of America (US GAAP).

In our opinion the financial statements:

- present fairly, in all material respects, the financial position of the American Air Museum in Britain as at 31 December 2021 and 2020 and the changes in its net assets and its cash flows for the year then ended; and
- have been prepared in conformity with accounting principles generally accepted in the United States of America

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed,

we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement on page 9, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- 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 purposes of expressing an opinion on the effectiveness of the charity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the charity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the charity.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the charity and considered that the most significant are US GAAP and relevant legislation.
- We obtained an understanding of how the charity complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Use of our report

This report is made solely to the charity's trustees, as a body. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's

report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charity and charity's trustees as a body, for our audit work, for this report, or for the opinion we have formed.

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Moore Kingston Smith LLP

Date:

Moore Kingston Smith LLP
Chartered Accountants
6th Floor
9 Appold Street
London
EC2A 2AP

**The American Air Museum in Britain Statement of Financial Position
As at 31 December 2021**

	Note	2021 \$	2020 \$
Assets			
Current Assets			
Cash & cash equivalents		975,393	387,214
Inventory		27,855	24,388
Contributions receivable	9	799,512	149,881
Other debtors and prepaid expenses		29,850	22,317
Other assets		4,193	4,193
Total current assets		1,836,802	587,993
Investments	2	261,488	333,741
Total assets		2,098,290	921,734
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	10	529,144	463,285
Annuity obligations, current portion	11	6,926	7,826
Total current liabilities		536,069	471,111
Non current portion of annuity obligations	11	17,468	20,303
		553,537	491,414
Net assets			
Unrestricted			
Undesignated		101,825	158,122
Total unrestricted		101,825	158,122
Temporarily restricted			
Operational		234,000	67,000
Expendable endowments		1,198,856	195,126
Total temporarily restricted		1,432,856	262,126
Permanently restricted			
Permanent Endowments		10,072	10,072
Total net assets		1,544,753	430,320
Total liabilities and net assets		2,098,290	921,734

The accompanying notes on pages 16 to 22 are an integral part of this financial statement

These accounts were approved by the AAMiB Board on

Jon Card ACA
Secretary and Treasurer

Date

The American Air Museum in Britain
Statement of Activities
For the year ended 31 December 2021

	Note	Unrestricted \$	Operational \$	Restricted Temporarily \$	Permanent \$	Totals 2021 \$	Totals Restated 2020 \$
Support and Revenues							
Direct Mail General		778,022	-	-	-	778,022	801,189
		778,022	-	-	-	778,022	801,189
Less Costs of Direct Mail		834,422	-	-	-	834,422	773,450
Net Contribution from Direct Mail		(56,399)	-	-	-	(56,399)	27,739
Board Donations		97,081	-	-	-	97,081	138,605
Advisory Counsel		7,500	-	-	-	7,500	-
Event Sponsorship		30,000	-	-	-	30,000	-
Major Gifts		147,564	-	1,002,273	-	1,149,837	150,529
Donated Services		61,507	-	-	-	61,507	69,551
Paycheck protection program		-	-	-	-	-	38,582
Legacies		28,837	-	-	-	28,837	5,818
Other Income		1,204	-	-	-	1,204	22,103
General Atomic Predator Campaign		-	-	-	-	-	57,000
Brick Campaign		16,100	-	-	-	16,100	10,000
Website Campaign		-	202,000	-	-	202,000	-
IWM Duxford Masterplan		-	150,000	-	-	150,000	-
Investment income from the Endowment Fund held by the IWM Development		47,386	-	-	-	47,386	66,597
		437,180	352,000	1,002,273	-	1,791,453	558,785
Interest & dividends		7,614	-	-	-	7,614	6,962
Change in value of split level interest agreements		-	-	1,457	-	1,457	36,181
		7,614	-	1,457	-	9,071	43,143
Total Income Generated after Direct Costs		388,395	352,000	1,003,730	-	1,744,125	629,667
Expenses							
The Annual Funding Requirement							
Operational Support of AAM in Britain		40,000	-	-	-	40,000	120,000
Website Campaign		-	175,000	-	-	175,000	-
Total Program Grants		40,000	175,000	-	-	215,000	120,000
Operational & Compliance Costs							
AAM Staff Costs		213,851	-	-	-	213,851	212,789
EVP		17,308	-	-	-	17,308	28,118
Travel & Expenses		-	-	-	-	-	33,800
Consultancy		6,029	-	-	-	6,029	10,434
Telephone		1,440	-	-	-	1,440	2,301
Events		104,508	-	-	-	104,508	-
Rent & Office		42,593	-	-	-	42,593	29,582
Subscriptions & Licences		2,221	-	-	-	2,221	6,929
Legal Fees		11,806	-	-	-	11,806	16,835
Direct Benefits to Donors		25,699	-	-	-	25,699	49,483
Investment Management Fees		2,859	-	-	-	2,859	4,683
Total Operational Costs		428,315	-	-	-	428,315	394,954
Total Expenses		468,315	175,000	-	-	643,315	514,954
Change in Net Assets from Operations before transfers		(79,920)	177,000	1,003,730	-	1,100,810	114,714
Transfer to Imperial War Museum Development Trust for Endowment Fund Management	4	-	-	-	-	-	(3,596)
Net gain / (loss) from investments		13,623	-	-	-	13,623	18,375
Net assets:							
Beginning of the year		158,122	67,000	195,126	10,072	430,320	300,828
Transfer between funds		10,000	(10,000)	-	-	-	-
End of year		101,825	234,000	1,198,856	10,072	1,544,753	430,320

**The American Air Museum in Britain
Statement of Cash Flows
For the year ended 31 December 2021**

Cash flows from Operating Activities

	2021	2020
Change in net assets	1,060,834	129,493
Adjustments to reconcile change in net assets to net cash used for operating activities		
Contributions to permanent endowment	-	(3,597)
Net (gain) loss from investments	(14,401)	(24,570)
Change in assets and liabilities		
Inventory	(3,467)	1,217
Contributions receivable	(649,631)	(18,669)
Other debtors and prepaid expenses	(7,533)	(19,702)
Accounts payable	65,859	12,713
Annuity obligations	(3,735)	(29,635)
Net cash provided by operating activities	447,925	47,250
Cashflow from investing activities		
Purchase of investments	(920,916)	(62,947)
Proceeds from the sale and maturity of investments	1,007,570	64,794
Net cash provided by (used for) investing activities	86,654	1,847
Cash flows from financing activities		
Contributions to permanent endowment	-	3,597
Net increase / (decrease) in cash and cash equivalents	534,579	52,692
Cash and cash equivalents at the beginning of the year	387,214	334,521
Cash and cash equivalents at the end of the year	921,793	387,214

The American Air Museum in Britain

Notes to the Financial Statements

As at 31 December 2021

1 Significant Accounting Policies

Basis of Preparation

The financial statements present the financial position, financial activity, and cash flows of the company on the accrual basis of accounting.

The statement of financial activity includes 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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the company's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Having reviewed the financial position, and the five year forecast for 2022-2027, the trustees consider that there are no material uncertainties about the charity's ability to continue as a going concern for 12 months from the signing of these financial statements. Due consideration for the effects of the Covid-19 outbreak has been taken. Trustees have also revised operational plans and expenditures and have a reasonable expectation that the charity has adequate resources to continue its activities for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the financial statements.

Net Assets

The AAM classifies net assets in the following categories: unrestricted, temporarily restricted, permanent endowments and expendable endowments.

All contributions are considered to be available for unrestricted use unless restricted by the donor as an endowment.

Temporarily restricted funds consist of contributions received and restricted by the donor and held until such time when the funds are drawn down to be used for their specific purpose. In 2021, \$1,002,273 was received for the new Anglo-American Alliance Endowment Fund which is to be set up in 2022, \$202,000 was received towards the campaign to update the website, and \$150,000 was received towards the Imperial War Museum Duxford Masterplan Campaign.

Expendable endowments are contributions made to the AAM to secure its financial sustainability. Limited expenditure may be made in the future out of these funds, subject to a spending rule of 5% of the prior five-year average market value of the endowment, revised in accordance with market conditions.

Permanent endowments are contributions received with permanent donor-imposed restrictions. These include endowments, where the principal amount given is to be preserved by the Museum for posterity and are not to be used for current operational needs.

Cash and cash equivalents

Cash and cash equivalents are considered to be all cash and investments with short and long term maturities. All cash and cash equivalents consisted of cash at the bank as at December 31, 2021

Contributions

The AAM recognises Contribution revenue in the year the money is received or when an

The American Air Museum in Britain

Notes to the Financial Statements

As at 31 December 2021

unconditional promise is made generally. Contributions in respect of the Charitable Gift Annuity (CGA) scheme are recognised as temporarily restricted revenue under the expendable endowment fund in an amount equal to the excess of the principal received over the net present value of the expected future annuity payments to be made. All contributions receivable are expected to be collected within one year.

In 2020, the American Air Museum received \$38,582, a Small Business backed (SBA) loan, from the Paycheck Protection Program, to help employers keep their workforce employed during the Coronavirus (COVID-19) Crisis. The American Air Museum successfully applied to have the loan forgiven.

Inventory

The inventory, which consists of merchandise available for fulfilments, is stated at the lower of cost and market value, with cost based on the first-in, first-out method of accounting.

1 Significant Accounting Policies continued

Use of estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at December 31, 2021, and the reported amounts of revenues and expenses during the year then ended. Actual results could differ from those estimates.

2. Investments

The Organization's investments are measured at fair value and consist entirely of amounts invested in cash, fixed income, equity and fixed income mutual funds. Fair values for these investments are determined by reference to quoted market prices for identical securities. These inputs used to determine fair values are considered Level 1 inputs under generally accepted accounting principles (unadjusted quoted prices in active markets for identical assets).

Investments are carried at market value, and realised and unrealised gains and losses are reflected in the Statement of Activities. Gifts of shares are sold as soon as it is possible, through Morgan Stanley.

The balance of \$5,463 on the Community Future Fund for the Fox Valley Community Region Inc. was transferred to the Fund in 2006, to facilitate the setting up of the American Air Museum in Britain Fund from which the AAM will receive annual distributions when the fund reaches \$10,000.

Endowment Policy

The AAM's endowments serve as a secure financial foundation for many of the Museum's activities.

The AAM's investment objectives are:

1. To provide a stable, growing stream of payouts for current expenditure; and
2. To protect the purchasing power of the endowment against inflation.

Investment Policy and Review

The Board Investment Committee has determined the specific investment approach.

The American Air Museum in Britain

Notes to the Financial Statements

As at 31 December 2021

The Board Investment Committee has consulted with the investment managers as necessary to conduct a review of the results of AAM investments, establish appropriate benchmarks to compare results and report to the full board. The responsibility transferred to the Audit and Board Affairs Committee from November 2021.

Such reviews include an examination of all Charitable Gift Annuity funds held by AAM, any trusts where AAM may be the trustee or co-trustee and any trusts where AAM is the beneficiary and where the information on trust investments is available to AAM.

The AAM has endowment funds held on its behalf in sterling in the UK as restricted funds by the Imperial War Museum Development Trust. The investment managers to this fund report progress and results to the AAM Board Investment Committee on a regular basis. The funds themselves do not form part of these accounts. At 31 December 2021 the value of these funds was £1,798,062. The investment income generated by them is granted to the AAM and is shown in these accounts as Investment income. This amounted to \$47,386 in 2021.

Spending Policy

Investment activity is reflected in the table below:

	Fox Community Future Fund \$	PNC CGAs \$	Total \$
Investments as at 1 January 2021	4,890	328,851	333,741
Gifts available for investment			
Shares	-	568,036	568,036
Cash	-	-	-
Gifts creating annuity trusts	-	-	-
Total Gifts available for investment	4,890	896,887	901,777
Investment Returns			
Dividend income	525	4,526	5,051
Interest income	-	6,941	6,941
	5,415	908,354	913,770
Fund management charges	(8)	(4,225)	(4,233)
Transfers to cash account	-	(651,869)	(651,869)
Realised and unrealised losses	56	14,345	14,401
	5,463	266,025	272,088
Annuity trust payments	-	(10,581)	(10,581)
Investments as at 31 December 2021	5,463	256,025	261,488

The American Air Museum in Britain

Notes to the Financial Statements

As at 31 December 2021

Represented by

Cash & cash equivalents	5,463	16,691	22,154
Equity Funds	-	151,412	151,412
Fixed income and fixed income funds	-	87,922	87,922
	5,463	256,025	261,488

3. Grants to the Imperial War Museum

For the year ended December 31, 2021, funds generated from operations of the AAM to the amount of \$40,000 (2020, \$120,000) were allocated to fulfil the operational grant to Imperial War Museum, a British charity. This is to support the facility at Duxford, including the upkeep of the building and the conservation and interpretation of the collections.

In addition, \$175,000 was transferred to Imperial War Museum to contribute towards the upgrade of the American Air Museum in Britain website.

4. Endowment Fund held by the Imperial War Museum Development Trust

In 2020 \$3,596 was transferred to the IWM Development Trust. As noted these are funds held in the UK as restricted for AAM. The Board Investment Committee monitors the management and performance of these funds on behalf of the Board. The value of this fund at 31st December 2021 was £1,798,062 (2020, £1,677,743).

5. Staff Costs

In 2018 the American Air Museum employed two new members of staff, a Major Gifts Officer and a Membership Manager in the United States. The staffing costs for 2021 consist of salaries and wages of \$196,351 (2020, \$195,227), and medical insurance and workers compensation of \$14,000 (2020, \$14,442).

6. Corporation Tax

The Organization generally has exemption from payments of corporation tax, and accounts for income taxes in accordance with Accounting Standards Codification (ASC) Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for the uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. The Organization believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

7. Related Parties

During the year \$97,081 (2020, \$138,605) unrestricted gifts was received from Trustees. In addition, Linda Mars also donated \$1million towards the new Anglo-American Alliance Endowment Fund, and Trustees sponsored the November event to the amount of \$30,000 and also donated \$26,000 towards the upgrade of the AAM website.

8. Subsequent Events Review

Subsequent events have been evaluated through to the date of the auditor's report, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the

The American Air Museum in Britain

Notes to the Financial Statements

As at 31 December 2021

accompanying financial statements.

9. Contributions Receivable

Contributions receivable, net, are summarized as follows on 31st December 2021.

	31 December 2021	31 December 2020
	\$	\$
Due within less than one year	799,512	149,881
Of which includes amounts owed by		
Imperial War Museum Development Trust	44,513	101,721
Donors	754,999	48,160

10a. Accounts Payable

Accounts payable are summarized as follows, with the largest creditors listed separately:

	31 December 2021	31 December 2020
	\$	\$
Current	529,144	463,285
Of which includes amounts owed to		
Imperial War Museum for operational costs	293,173	367,382
Imperial War Museum for Website Development	175,000	-
Imperial War Museum Development Trust	-	43,271

10b. Operating Leases

At the 31 December 2021, the charity had the following future minimum lease payments under operating leases, which fall due as follows:

	2021	2020
	\$	\$
Within one year	3,840	3,840
Between two and five years	-	-
More than five years	-	-
	3,840	3,840

11. Annuity Obligations

Annuity obligations are summarized as follows:

	31 December 2021	31 December 2020
	\$	\$
Current	6,926	7,826
Non-current	17,468	20,303
	24,393	28,129

The American Air Museum in Britain

Notes to the Financial Statements

As at 31 December 2021

12. Expenditure

Expenses have been set out in a revised format, in 2021, to enable greater understanding of the costs of expenditure made on Direct Mail income. The 2020 expenditure has been restated to follow the same format.

During the year, the American Air Museum in Britain received pro bono legal fees from Gibson, Dunn & Crutcher LLP to the total of \$18,807. This amount was allocated across all unrestricted, operational, non-staff, expenditure. This allocation differs from the previous year's allocation of pro-bono legal fees in which Direct Mail costs were reallocated to, in line with the revision of the way in which expenditure has been shown on the face of the Statement of Activities. The expenditure figures for 2020 have been restated in the same way.

		Unrestricted 2021 Direct Costs	2021 Pro Bono Legal Fees	Total 2021 Unrestricted Costs
		\$	\$	\$
Expenses				
Operational Costs				
	AAM Staff Costs	213,851	-	213,851
	EVP	15,790	1,518	17,308
	Travel & Expenses	-	-	-
	Consultancy	5,500	529	6,029
	Telephone	1,314	126	1,440
	Events	93,344	9,164	104,508
	Rent & Office	38,858	3,735	42,593
	Subscriptions & Licences	2,026	195	2,221
	Legal Fees	10,771	1,035	11,806
	Cost of direct benefits	23,445	2,254	25,699
	Investment Management Fees	2,608	251	2,859
Total Operational Costs		407,508	18,807	428,315

The American Air Museum in Britain

Notes to the Financial Statements

As at 31 December 2021

The 2020 pro bono legal fee received was \$69,551. These have been presented with the above to aid comparability.

		Unrestricted 2020 Direct Costs	2020 Pro Bono Legal Fees	Total 2020 Unrestricted Costs
		\$	\$	\$
Expenses				
	Operational Costs			
	AAM Staff Costs	212,789	-	212,789
	EVP	17,382	10,735	28,117
	Travel & Expenses	20,895	12,905	33,800
	Consultancy	6,450	3,984	10,434
	Telephone	1,423	878	2,301
	Events	-	-	-
	Rent & Office	18,288	11,295	29,583
	Subscriptions & Licences	4,284	2,646	6,929
	Legal Fees	10,407	6,428	16,835
	Cost of direct benefits	30,590	18,893	49,483
	Investment Management Fees	2,895	1,788	4,683
Total Operational Costs		325,402	69,551	394,954