

Financial Statements
For the Fiscal Period Ended August 31, 2020 (Unaudited)

Management Discussion and Analysis

Statement of Financial Position (Page 3)

The enclosed **preliminary** financial results for the fiscal period ended August 31, 2020 were prepared in accordance with generally accepted accounting principles (GAAP).

The total assets of the organization were about \$56.7 million, an increase of approximately \$190 thousand (0.34%) from \$56.6 million at August 31st the previous year.

Total net assets without donor restrictions of \$29.4 million reflect: funds that the Board has designated [about \$2.89 million] as the operating reserve; designated funds to support restricted purposes, where the Board has discretion to modify the support in the future; the value of fixed assets owned; as well as the balance of the funds supporting operations.

Operating Statement of Activities (Page 4)

For operations, there was a net GAAP-basis surplus of approximately \$2,408,300 in these preliminary statements for the year-to-date ending August 31, 2020, largely due to \$2.8 million of investment income.

Revenues (Highlights)

- **Advertising and Sponsorships** are below budget due to the postponement / cancellation of events and tailgates. Several companies have also cut back on their advertising budgets due to uncertain economic conditions.
- **Service Academy Career Conferences** are below budget for the year due several factors to include: delayed payment for the D.C. conference, as well as reduced revenue from participating companies from converting from an in person to virtual conference due to COVID concerns.
- **Royalties** were below budget by approximately \$59,000. The USAA Royalty decreased by \$50,000 due to a timing difference resulting from the new contract. The remainder of the decrease results from a lower than anticipated royalties on travel programs.

Expenses (Highlights)

- **Benefits** were higher than budgeted due to timing differences – we have paid three months of medical premiums whereas, the budget only reflects two months.
- **Professional Services** was higher than budgeted as a result of paying our monthly facilities maintenance contract which was budgeted in Salaries expense instead of contracting for those services. There was also a timing difference for the payment of a deposit for the Class Crest.
- **Employee Travel and Meals** expense was below budget as a result of decreased travel due to COVID-19.
- **Advertising and corporate promotion** expenses included the cost of sabers for a Heritage project, several unbudgeted sponsorships, and items for the Ring Dance.

Investment Income

Performance reporting for the long-term portion of the portfolio for the fiscal year-to-date showed gains in the first two months of the fiscal year, fueled by a strong recovery in the stock and bond markets. Net allocated investment returns to operations year-to-date were \$2,809,794, consisting of: investment interest and dividends received and reinvested of \$61,155 and unrealized (market) and realized gains of \$2,748,639. For August about 71.73% of the entire portfolio investment results were allocated to AOG operations, based on the guidelines of the FMIP.

Operating Statement of Cash Flows (Page 5)

The statement of cash flows on page 5 showed that there was a net decrease in cash and cash equivalent funds of about \$301 thousand from the beginning of the fiscal year. There was approximately \$1,723,495 used by operating activities.

Funds Held in Short-term Operating Accounts (Page 6)

The supplemental information regarding cash and cash equivalent accounts showed operating funds of about \$464,420 including petty cash at August 31, 2020. Short-term investable cash held at Charles Schwab is reflected in investments report.

Schedule of Investments (Page 6)

Investment sector values at August 31, 2020 were reflected in the supplemental schedule on page 6 and compares the actual allocation of investments in different investment types to the target percentage as provided for in the FMIP. All the portfolio securities values through the fiscal year to date, except the foreign managed real estate investment trust, had been received by the preparation time for these financial statements.

Schedule of Capital Additions (Page 7)

The schedule on page 7 showed capital purchases for the year and reflects the expenditures by operations and restricted funds, in comparison to the approved fiscal year budget. Purchases have been kept to a minimum and many items approved in the budget will be carried over to the following fiscal year.

Statement of Financial Position

As of August 31,
(Unaudited)

<u>Assets</u>	2020	2019
Cash and Cash Equivalents	\$ 464,420	\$ 1,196,307
Merchandise Inventory	210,814	157,583
Pledges and Accounts Receivable	584,908	
Less: Discounts and Allowances for Uncollectible	<u>(900)</u>	1,387,953
Prepaid Expenses	97,416	89,874
Total Current Assets	<u>1,356,658</u>	<u>2,831,717</u>
Investments	51,425,407	49,281,566
Fixed Assets <i>(including Construction in Progress)</i>	12,840,080	
Less: Accumulated Depreciation and Amortization	<u>(8,941,549)</u>	4,304,974
Other Assets	45,447	147,494
Total Assets	<u>\$ 56,726,043</u>	<u>\$ 56,565,751</u>
 <u>Liabilities:</u>		
Accounts and Other Payables	\$ 179,687	\$ 166,773
Agency Deposits	1,353,307	1,390,300
Deferred Income and Unearned Life Memberships	10,499,456	10,168,131
Other Liabilities	-	146,069
Total Liabilities	<u>12,032,450</u>	<u>11,871,273</u>
 <u>Net Assets:</u>		
Unrestricted – AOG Operating Reserve	2,891,563	2,891,563
Unrestricted-designated – for Short-term Purposes	290,520	290,520
Unrestricted-designated – for Endowments	4,620,040	14,823,066
Invested in Property and Equipment	3,898,531	4,304,974
Unrestricted-undesignated	17,737,391	5,332,547
Total Without Donor Restrictions	<u>29,438,045</u>	<u>27,642,670</u>
With Donor Restrictions	15,255,548	17,051,808
Total Net Assets	<u>44,693,593</u>	<u>44,694,478</u>
Total Liabilities and Net Assets	<u>\$ 56,726,043</u>	<u>\$ 56,565,751</u>

Operating Statement of Activities

For the Fiscal Period Ended August 31, 2020
(Unaudited)

	YTD Actual	YTD Budget	Variance	PY YTD
Revenues				
Donations and Contributions	\$ 2,088	\$ 1,570	\$ 518	\$ 1,800
Membership Dues	169,258	162,451	6,807	174,287
Merchandising	102,803	89,900	12,903	132,767
Member Services	270	2,500	(2,230)	2,420
Advertising and Sponsorships	104,100	202,840	(98,740)	243,195
Reunion Services	-	-	-	261,631
Administration Fees	-	-	-	-
Conferences	-	140,000	(140,000)	817
Royalties	51,574	111,200	(59,626)	112,166
Football Tickets and Tailgates	-	-	-	99,647
Activities and Social Events	(800)	6,140	(6,940)	5,219
Miscellaneous Income	947	-	947	657
Grant from Air Force Academy Fdtn	-	-	-	-
Air Force Academy Fdtn Svc Agreement	30,771	27,550	3,221	-
Transfers from/(to) Restricted Funds	-	-	-	-
Total Revenues	<u>461,011</u>	<u>744,151</u>	<u>(283,140)</u>	<u>1,034,606</u>
Operating Expenses				
Salaries and Wages	425,956	432,536	(6,580)	348,376
Payroll Taxes	27,220	34,387	(7,167)	26,453
Benefits	64,630	52,745	11,885	56,976
Grants from Unrestricted Funds	1,000	-	1,000	2,000
Board Governance Costs	10,790	7,045	3,745	4,855
Professional Services	31,265	16,637	14,628	42,321
Professional Printing	406	4,416	(4,010)	4,242
Postage and Shipping	17,268	13,635	3,633	18,920
Merchandise Cost of Sales	58,351	51,701	6,650	75,147
Insurance and Bonding	8,498	7,856	642	6,856
Employee Travel and Meals	2,336	13,852	(11,516)	6,674
Social Events and Meetings	62	7,725	(7,663)	26,089
Office Supplies	3,636	4,325	(689)	4,770
Advertising and Corporate Promotion	23,175	5,849	17,326	8,411
Office Expenses	37,784	47,607	(9,823)	57,671
Employee Training and Education	-	1,215	(1,215)	797
Facilities Expenses	57,675	50,719	6,956	51,424
Depreciation and Amortization	92,474	90,700	1,774	90,898
Total Operating Expenses	<u>862,526</u>	<u>842,950</u>	<u>19,576</u>	<u>832,880</u>
OPERATING SURPLUS/(DEFICIT)	(401,515)	(98,799)	(302,716)	201,726
Other Income and Deductions				
Investment Interest & Dividends	61,155	126,755	(65,600)	105,823
Realized/Unrealized Gains/(Losses)	2,748,639	140,535	2,608,104	(163,858)
Total Other Income and Deductions	2,809,794	267,290	2,542,504	(58,035)
NET SURPLUS/(DEFICIT)	\$ 2,408,279	\$ 168,491	\$ 2,239,788	\$ 143,691

Operating Statement of Cash Flows

For the Fiscal Period Ended August 31, (Unaudited)

	2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net surplus for the period	\$ 2,408,278	\$ 143,691
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Non-cash (income) expenses:		
Depreciation	92,474	90,898
Unrealized (gains) losses on investments	(4,378,617)	428,272
Changes in operating assets and liabilities:		
Accounts receivable	19,265	5,156
Contributions receivable, net	336,003	133,333
Inventory and prepaid expenses	9,309	31,577
Accounts payable and accrued expenses	(37,187)	(165,155)
Construction-in-progress and other assets	22	6
Deferred revenue	(173,000)	(252,405)
Other liabilities	-	(150,157)
<i>Net cash provided by (used in) operating activities</i>	<i>(1,723,495)</i>	<i>2,283,859</i>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of investments	(211,715)	(575,956)
Proceeds from the sale of investments	1,194,209	1,199,886
Purchases of property and equipment	(2,484)	(19,421)
Net cash provided by (used in) investing activities	980,010	604,509
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Net cash (expended)/collected for long-term purposes	442,330	(1,078,072)
Net cash (expended) provided for financing activities	442,330	(1,078,072)
<i>Net increase in cash and cash equivalents</i>	<i>(301,156)</i>	<i>(209,359)</i>
Cash and cash equivalents, beginning of year	765,666	1,405,666
Cash and cash equivalents at August 31,	\$ 464,420	\$ 1,196,307

Funds Held in Short-term Operating Accounts
 For the Fiscal Period Ended August 31, 2020 (Unaudited)

	Actual	Percentage
Petty Cash	\$ 600	0.13%
Operating Funds in Bank	463,820	99.87%
TOTAL	\$ 464,420	100.00%

Schedule of Investments
 For the Fiscal Period Ended August 31, 2020
 (Unaudited)

	Actual	%	Target	Max
Short-term Investment Pool	\$ 6,105,121	11.87%	15.0%	20.0%
U. S. Equities (value & growth)	17,588,488	38.81%	30.0%	50.0%
International Equities	9,756,284	21.53%	30.0%	50.0%
Emerging Markets	3,344,317	7.38%	5.0%	10.0%
Real Estate/REITs	1,880,589	4.15%	5.0%	15.0%
Fixed Income	6,252,275	13.80%	10.0%	20.0%
Alternatives	2,816,237	6.21%	15.0%	20.0%
Master Limited Partnerships	739,644	1.63%	5.0%	10.0%
AOG Reserve Fund	2,942,428	6.49%	-	-
Investable Cash and unsold stock	24	0.00%	-	10.0%
Total Long-term Investment Pool	45,320,286	100.00%	100.0%	
TOTAL	\$ 51,425,407	100.00%	100.0%	

Schedule of Capital Additions
 For the Fiscal Period Ended August 31, 2020
 (Unaudited)

	Actual	Annual Budget
<i>Paid with operating funds:</i>		
Parking Lot Resurfacing	\$ -	\$ 160,000
Computer Equipment	-	35,000
Audio Visual – Conference Rooms	-	40,000
Back Up Server Software Upgrade	-	7,000
Canon EOS Camera/Accessories	2,484	4,847
	<u>2,484</u>	<u>246,847</u>
 <i>Paid with restricted funds:</i>		
South Heritage Wall Redesign	-	30,000
Distinguished Graduate Pedestals and Plaques	-	45,000
SEA Pavilion Computer/Touchscreen	-	12,000
Heritage Trail Signs	-	5,000
Ring Display	-	5,000
	<u>-</u>	<u>97,000</u>
Total for operating funds	<u>2,484</u>	<u>246,847</u>
Total for restricted funds	<u>-</u>	<u>97,000</u>
TOTAL	<u>\$ 2,484</u>	<u>\$ 343,847</u>