

Statement of Financial Position

As of December 31,
(Unaudited)

<u>Assets</u>	2019	2018
Cash and Cash Equivalents	\$ 1,536,850	\$ 1,721,412
Merchandise Inventory	221,731	170,678
Pledges and Accounts Receivable	1,107,938	
Less: Discounts and Allowances for Uncollectible	(900)	1,164,004
Prepaid Expenses	142,959	114,905
<i>Total Current Assets</i>	3,008,578	3,170,999
Investments	51,452,962	45,565,577
Fixed Assets <i>(including Construction in Progress)</i>	12,724,865	
Less: Accumulated Depreciation and Amortization	(8,569,413)	4,360,238
Other Assets	129,743	130,720
<i>Total Assets</i>	\$ 58,746,735	\$ 53,227,534
<u>Liabilities:</u>		
Accounts and Other Payables	\$ 160,429	\$ 160,020
Agency Deposits	1,288,215	1,261,527
Deferred Income and Unearned Life Memberships	10,089,376	9,758,057
Other Liabilities	146,069	130,720
<i>Total Liabilities</i>	11,684,089	11,310,324
<u>Net Assets:</u>		
Unrestricted – AOG Operating Reserve	2,891,563	2,833,622
Unrestricted-designated – for Short-term Purposes	290,520	-
Unrestricted-designated – for Endowments	14,823,067	13,104,225
Invested in Property and Equipment	4,155,452	4,360,238
Unrestricted-undesignated	6,304,915	4,391,511
Total Without Donor Restrictions	28,465,517	24,689,596
With Donor Restrictions	18,597,129	17,227,614
<i>Total Net Assets</i>	46,762,646	41,917,210
<i>Total Liabilities and Net Assets</i>	\$ 58,746,735	\$ 53,227,534

Operating Statement of Activities
 For the Fiscal Period Ended December 31, 2019
 (Unaudited)

	YTD Actual	YTD Budget	Variance	PY YTD
Revenues				
Donations and Contributions	\$ 15,359	\$ 7,540	\$ 7,819	\$ 7,603
Membership Dues	480,917	448,331	32,586	468,792
Merchandising	290,775	300,245	(9,470)	307,570
Member Services	6,490	7,500	(1,010)	9,630
Advertising and Sponsorships	268,580	371,270	(102,690)	336,995
Reunion Services	270,855	290,000	(19,145)	309,131
Administration Fees	32,132	36,775	(4,643)	-
Conferences	185,695	202,700	(17,005)	207,575
Royalties	139,727	117,700	22,027	126,960
Football Tickets and Tailgates	197,482	221,920	(24,438)	172,679
Activities and Social Events	30,147	29,795	352	6,401
Miscellaneous Income	889	12,685	(11,976)	13,918
Grant from Air Force Academy Fdtn	-	800,000	(800,000)	800,000
Transfers from/(to) Restricted Funds	14,334	-	14,334	-
Total Revenues	<u>1,933,382</u>	<u>2,846,461</u>	<u>(913,079)</u>	<u>2,767,254</u>
Operating Expenses				
Salaries and Wages	1,134,380	1,104,632	29,748	1,028,800
Payroll Taxes	81,244	87,818	(6,574)	75,576
Benefits	144,889	137,554	7,335	131,717
Grants from Unrestricted Funds	3,526	700	2,826	7,729
Board Governance Costs	13,321	14,025	(704)	9,843
Professional Services	198,886	172,898	25,988	155,445
Professional Printing	66,641	80,639	(13,998)	77,969
Postage and Shipping	75,328	70,637	4,691	76,604
Merchandise Cost of Sales	168,912	186,123	(17,211)	181,031
Insurance and Bonding	20,568	21,236	(668)	18,786
Employee Travel and Meals	47,092	40,345	6,747	28,233
Social Events and Meetings	369,136	364,677	4,459	305,956
Office Supplies	14,801	14,444	357	23,368
Advertising and Corporate Promotion	80,896	52,589	28,307	70,820
Office Expenses	148,611	113,311	35,300	94,622
Employee Training and Education	2,256	4,036	(1,780)	1,098
Facilities Expenses	146,871	151,055	(4,184)	133,756
Depreciation and Amortization	272,429	282,750	(10,321)	288,247
Total Operating Expenses	<u>2,989,787</u>	<u>2,899,469</u>	<u>90,318</u>	<u>2,709,600</u>
OPERATING SURPLUS/(DEFICIT)	(1,056,405)	(53,008)	(1,003,397)	57,654
Other Income and Deductions				
Investment Interest & Dividends	442,809	324,733	118,076	477,133
Realized/Unrealized Gains/(Losses)	1,578,703	1,251,516	327,187	(2,304,378)
Total Other Income and Deductions	<u>2,021,512</u>	<u>1,576,249</u>	<u>445,263</u>	<u>(1,827,245)</u>
NET SURPLUS/(DEFICIT)	\$ 965,107	\$ 1,523,241	\$ (558,134)	\$ (1,769,591)

Operating Statement of Cash Flows

For the Fiscal Period Ended December 31,
(Unaudited)

	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net surplus for the period	\$ 965,107	\$ (1,769,591)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Non-cash (income) expenses:		
Depreciation	272,429	288,247
Unrealized (gains) losses on investments	(1,697,812)	5,068,771
Changes in operating assets and liabilities:		
Accounts receivable	34,654	18,263
Contributions receivable, net	400,000	(400,000)
Inventory and prepaid expenses	(85,108)	(35,124)
Accounts payable and accrued expenses	(170,973)	(57,120)
Construction-in-progress and other assets	119	147,429
Deferred revenue	(345,160)	(184,439)
Other liabilities	-	(147,429)
Net cash provided by operating activities	(626,744)	2,929,007
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of investments	(1,838,674)	(3,465,369)
Proceeds from the sale of investments	3,818,835	3,174,358
Purchases of property and equipment	(51,023)	(11,588)
Net cash provided by (used in) investing activities	1,929,137	(302,599)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Net cash (expended)/collected for long-term purposes	(1,171,208)	(1,426,132)
Net cash (expended) provided for financing activities	(1,171,208)	(1,426,132)
Net decrease in cash and cash equivalents	131,184	1,200,276
Cash and cash equivalents, beginning of year	1,405,666	521,136
Cash and cash equivalents at December 30,	\$ 1,536,850	\$ 1,721,412



Statement of Functional Expenses
 For the Fiscal Period Ended December 31, 2019
 (Unaudited)

	Program Services	General and Admin	Fundraising	Total
Program Services:				
Academy and Other Services	\$ 2,706,075	\$ -	\$ -	\$ 2,706,075
Cost of Publications	531,534	-	-	531,534
Special Events and Chapter Support	376,949	-	-	376,949
Member Services	151,269	-	-	151,269
Reunions	403,021	-	-	403,021
Career Opportunities	61,649	-	-	61,649
Special Functions	54,800	-	-	54,800
Support Services:				
Salaries and Wages	-	359,031	19,171	378,202
Payroll Taxes	-	25,467	1,360	26,827
Benefits	-	123,495	506	124,001
Grants from Unrestricted Funds	400	-	-	400
Professional Services	-	120,515	2,192	122,707
Professional Printing	-	1,416	-	1,416
Postage and Shipping	-	15,315	-	15,315
Insurance and Bonding	-	22,264	-	22,264
Employee Travel and Meals	-	15,296	-	15,296
Social Events and Meetings	-	18,541	-	18,541
Advertising and Corporate Promotion	-	14,380	-	14,380
Office and Facilities Expenses	-	14,619	11,372	25,991
Total Functional Expenses	\$ 4,285,697	\$ 730,339	\$ 34,601	\$ 5,050,637
 Percentage of Total	 84.85%	 14.46%	 0.69%	 100.00%

Funds Held in Short-term Operating Accounts

For the Fiscal Period Ended December 31, 2019

(Unaudited)

	<u>Actual</u>	<u>Percentage</u>
Petty Cash	\$ 600	0.57%
Operating Funds in Bank	1,536,250	99.43%
TOTAL	<u>\$ 1,536,850</u>	<u>100.00%</u>

Schedule of Investments

For the Fiscal Period Ended December 31, 2019

(Unaudited)

		<u>%</u>	<u>Target</u>	<u>Max</u>
Short-term Investment Pool	\$ 7,545,389	14.66%	15.0%	20.0%
U. S. Equities (value and growth)	15,422,105	35.12%	30.0%	50.0%
International Equities	9,566,954	21.79%	30.0%	50.0%
Emerging Markets	3,110,396	7.09%	5.0%	10.0%
Real Estate/REITs	2,130,315	4.85%	5.0%	15.0%
Fixed Income	5,956,985	13.57%	10.0%	20.0%
Alternatives	2,880,711	6.56%	15.0%	20.0%
Master Limited Partnerships	1,910,531	4.35%	5.0%	10.0%
AOG Reserve Fund	2,929,553	6.67%	-	-
Investable Cash and unsold stock	23	-	-	10.0%
Total Long-term Investment Pool	<u>43,907,573</u>	<u>100.00%</u>	<u>100.0%</u>	
TOTAL	<u>\$ 51,452,962</u>	<u>100.00%</u>	<u>100.0%</u>	

Schedule of Capital Additions

For the Fiscal Period Ended December 31, 2019
(Unaudited)

	Actual	Annual Budget
<i>Paid with operating funds:</i>		
Building and Grounds	\$ 7,317	\$ -
Landscaping	5,328	-
VALOR Pedestal	4,871	-
Front Entry Doors	3,640	-
Cold Storage Entry Doors	2,535	-
Office Equipment	6,017	5,680
Vehicles	-	-
Furniture & Fixtures	4,300	1,500
Computer Equipment	17,423	36,400
Sabers	-	-
Other <i>(incl. available IBM credits)</i>	-	-
Capitalized Lease-Furniture	-	-
Capitalized Software Costs	-	-
	51,023	43,580
<i>Total for operating funds</i>		
<i>Paid with restricted funds:</i>		
Plaza of Heroes concrete restoration	27,325	100,000
Distinguished Graduate Pedestals and Plaques (4 ea.)	3,300	28,800
Heritage Trail concrete restoration and bridge bypass	-	28,000
Re-glaze Office Windows (6 ea.)	-	12,000
Heritage Trail Improvements	47,296	-
Front Walkway concrete replacement	-	16,400
Parking Lot lighting	-	10,000
	77,921	195,200
<i>Total for restricted funds</i>		
TOTAL	\$ 128,944	\$ 238,780



Operating Statement of Activities - Cash Basis

For the Fiscal Period Ended December 31, 2019

(Unaudited)

	YTD Actual	YTD Budget	Variance	PY YTD
Revenues				
Investment Income and Distributions	\$ 950,194	\$ 1,251,516	\$ (301,322)	\$ 750,980
Donations and Contributions	15,247	7,540	7,707	7,371
Membership Dues	366,852	336,759	30,093	355,432
Merchandising	290,775	300,245	(9,470)	307,570
Member Services	6,490	7,500	(1,010)	9,630
Advertising and Sponsorships	57,480	371,720	(313,790)	307,203
Reunion Services	236,795	290,000	(53,205)	220,219
Administration Fees	32,132	36,775	(4,643)	-
Conferences	185,695	202,700	(17,005)	207,575
Royalties	34,732	117,700	(82,968)	126,960
Football Tickets and Tailgates	197,482	221,920	(24,438)	116,666
Activities and Social Events	26,693	29,795	(3,102)	4,476
Miscellaneous Income	889	12,685	(11,796)	4,262
Grant from Air Force Academy Fdtn	400,000	400,000	-	400,000
Transfers from/(to) Restricted Funds	-	-	14,334	-
Total Revenues	2,815,790	3,586,405	(770,615)	2,818,344
Operating Expenses				
Salaries and Wages	1,134,380	1,104,632	29,748	1,028,800
Payroll Taxes	81,244	87,818	(6,574)	75,576
Benefits	129,523	137,554	(8,031)	131,717
Grants from Unrestricted Funds	3,526	700	2,826	4,404
Board Governance Costs	13,321	14,025	(704)	9,843
Professional Services	209,961	172,898	37,063	159,194
Professional Printing	67,281	80,639	(13,358)	77,969
Postage and Shipping	75,328	70,637	4,691	76,604
Merchandise Purchases	234,026	215,318	18,708	216,543
Insurance and Bonding	-	21,236	(21,236)	880
Employee Travel and Meals	51,955	40,345	11,610	27,894
Social Events and Meetings	383,371	364,677	18,694	323,434
Office Supplies	16,647	14,444	2,203	23,600
Advertising and Corporate Promotion	79,956	52,589	27,367	71,211
Office Expenses	173,739	113,311	60,428	96,323
Employee Training and Education	2,256	4,035	(1,779)	1,098
Facilities Expenses	200,425	151,055	49,370	178,812
Total Operating Expenses	2,856,939	2,645,913	211,026	2,503,902
OPERATING SURPLUS/(DEFICIT)	(41,149)	940,492	(981,641)	314,442
Operating Capital Purchases	51,023	43,580	7,443	11,588
NET SURPLUS/(DEFICIT)	\$ (92,172)	\$ 896,912	\$ (989,084)	\$ 302,854



Unaudited Financial Statements
For the Fiscal Period Ended December 31, 2019

Management Discussion and Analysis

Financial Results

The enclosed **preliminary** financial results for the fiscal period ended December 31, 2019 (pages 1 through 6) were prepared in accordance with generally accepted accounting principles (GAAP). Page 7 represents a Cash Basis Operating Statement as additional information. For comparability purposes the prior year-to-date information is shown as it was reported at the time. Page 1 shows the financial position of the AOG as of the end of December 31, 2019 compared to the previous year as reported at the time. The total assets of the organization were about \$58.7 million, an increase of approximately \$5.519 million +10.37% from \$53.23 million at December 31 the previous year. Net fixed assets decreased by about \$204,786 primarily from depreciation of those assets, offset some with addition of a few assets. Liabilities of the organization increased by only about \$373,765 net year-over-year, with increases in deferred memberships. Total net assets without donor restrictions of \$28.46 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. Total net assets increased by about \$4.485 million year-over-year, again, largely resulting from allocated investment gains.

The Operating Statement of Activities shows **preliminary** operating results for the second quarter with approximately \$1.933 million in operating revenues, and operating expenses of about \$2.846 million. The result is an operating deficit of about \$1,056,405, versus a budgeted deficit of about \$53,000. **As identified in the FY2019 audit, we recognized the full amount of \$1,600,000 of revenue from the Air Force Academy Foundation Grant in FY2019 as GAAP requires, there will be an \$800,000 deficit in revenue in FY2020.** With the exception of the AFAF Grant deficit, other revenues were below the year-to-date budget by about 3.97%. Operating expenses were about 3.1% higher [about \$90,300] than anticipated in the budget. While there were plus and minus budget variances for each of the cost elements, reductions of note include payroll taxes, professional printing, merchandise cost of sales and, depreciation. Those were offset by overages in, payroll, professional services, advertising and corporate promotion and office expenses, which are discussed below.

The allocation of investment results to operations through December 31, on a total return basis, was an increase of approximately \$2,021,500, well above expectations in the budget. The remaining returns not reflected on the operating statement have been allocated to temporarily restricted funds and the temporary portion of

endowments in accordance with the Financial Management and Investment Policy (FMIP).

For operations, there was a net GAAP-basis deficit of approximately \$1,056,400 in these preliminary statements for the year-to-date, largely due to the \$800,000 difference in revenue recognized in FY2019, instead of FY2020 for the Air Force Academy Foundation Grant.

Revenues

- **Donations and contributions** reflect new direct gifts from donors, recognized gifts-in-kind, and includes a second gift from a donor to support the purchase of a new passenger van for the organization. The results exceeded the year-to-date budget by about \$7,800.
- **Membership dues** revenue shown for the quarter consisted of \$114,000 of recognized life memberships and approximately \$366,917 of new and continuing other memberships, the total of which exceeded the budget by about 7.3%.
- **Merchandising** sales through the six months fell slightly below year-to-date budget (about 3.16%) and were primarily impacted by marketing campaign changes to move inventory reductions to 3rd quarter.
- **Advertising and sponsorship revenues** were significantly below the quarterly budget primarily because part of the new USAA contract in January 2019 was earmarked to support activities in the latter part of the 2019 fiscal year. The revenue will likely track closer to the budget in the third quarter of this fiscal year.
- **Reunion services revenue** reflects administration fees for AOG services for the reunions that occurred during the first two quarters and registrations received that were deferred from the previous fiscal year. It was below budget by approximately 6.6% due to two classes choosing to do their own reunion activities and increased numbers able to attend Mitchell Hall lunch instead of AOG lunch. Fees recognized reflect the tiered approach to services offered to classes.
- **Administration fees** for management of the investment portfolio are apportioned to endowments, quasi-endowments and agency funds and are only posted semi-annually. The next fee will be posted in June.
- **Conference** revenue shown is exclusively from the income allocated to the AOG from the Service Academy Career Conferences (SACC) and are below expectations based on the Academies hiring an additional staff member to conduct the conferences and updated technology to make registration more streamlined.
- The **royalty income** received exceeded the year-to-date budget 18.77%, primarily due to higher than anticipated royalties on travel programs.
- **Tailgate registration income** fell short of quarterly budget expectations, based on tailgate ticket combination packages available for the reunion

classes anticipated to participate. Two classes ran their own tailgates and two classes chose a non-football game weekend.

- **Activities and social events revenue** for fee-based special events for the quarter included building rental efforts, are tracking in line with the budget.
- **Transfers from Restricted Funds** were of \$14,334 from the Graduate Engagement Fund to support additional Graduate Engagement activities through the first six months of the fiscal year

Expenses

- **Salaries and wages**, including bonuses paid, were about 2.69% above the expected budget through December.
- **Payroll taxes**, were below budget expectations for the quarter and track to the year-to-date salaries and wages.
- **Benefits** paid were above the budget for the six months, largely due to higher than budgeted medical insurance premiums.
- **Grants from unrestricted funds** included support for a young alumni engagement tailgate that was funded by a sponsorship from Military One Source.
- Direct **board governance costs** were slightly below the budget expectation through the quarter.
- The costs for **professional services** were about 15.03% higher than expectations, primarily due to the charging the building maintenance contract to operations instead of the Building Endowment. This was briefed by the CEO at the August Board Meeting. The purpose is to make the draws on the Endowment more sustainable and allow the investment earnings of the endowment to recover.
- **Professional printing** expenses were 17.4% below the budget for the first six months, primarily for reunion and chapter support activities.
- **Postage and shipping** expenses were 6.6% higher than the year-to-date budget primarily from higher postage expenses used for membership mailings and the shipment of merchandise to customers.
- The **merchandise cost of sales** reflects the average-cost inventory valuation method for sales made.

	Actuals		Budget	
Sales	\$ 290,775	100.0%	\$ 300,245	100.0%
Cost of Sales	\$168,912	58.1%	\$186,123	61.9%
Gross margin	\$121,863	41.9%	\$114,122	38.1%

- **Insurance and bonding** expenses were in line with the budget.
- **Employee travel and meals expenses** for the quarter were slightly above year-to-date budget by about \$1,928 primarily due to unbudgeted opportunity to connect with graduates and donors at an air show, added graduate engagement events, as well as the Bowl Game in Phoenix.

- **Social events and meeting expenses** were in line with the budget.
- **Office supplies**, including janitorial and kitchen supplies were in line with the budget.
- **Advertising and corporate promotion** expenses included the renewal fee for the Learfield IMG annual advertising and promotion contract, which was paid earlier than anticipated in the budget, as well as support for young alumni programs, graduate engagement, and service projects.
- The costs captured in other **office expenses** were significantly over the year-to-date budget and reflected a new subscription cost for the *ZoomieLink* platform and new mentoring platform, as well as third-party support for sales and use tax collection and remittance.
- The **employee training and education** expenditures were significantly lower than budget expectations since training opportunities were delayed to the third quarter.
- Overall, **facilities expenses** were in line with the budget.
- **Depreciation and amortization** costs were 3.7% below the expected budget for the year-to-date.

Investment Income

Performance reporting for the long-term portion of the portfolio for the fiscal year-to-date showed strong earnings during the second quarter. Net allocated investment returns to operations year-to-date were approximately \$2,021,512, consisting of: investment interest and dividends received and reinvested of approximately \$442,800; net realized gains from Madoff Victims Fund recoveries, totaling about \$78,700; and, unrealized (market) gains of about \$1,578,700. For December about 64.16% of the entire portfolio investment results were allocated to AOG operations, based on the guidelines of the FMIP.

Operating Statement of Cash Flows

The statement of cash flows on page 3 showed that there was a net increase in cash and cash equivalent funds of about \$1.406 million from the beginning of the fiscal year. There was approximately \$626,700 used by operating activities, a net \$1,929,100 provided from managing the investment portfolio and purchasing fixed assets, and a net expenditure of about \$1.171 million for long-term purposes, primarily gifts of Moller Trust funds to USAFA.

Statement of Functional Expenses

The financial statement on page 4, as required by Accounting Standard Update (ASU) 2016-14, reflects the method of allocating costs among program and support functions during the reporting period for the total organization. As reported, approximately 84.9% of total costs were identified for program services, 14.5% were expended toward general and administrative functions, and about 0.6% were incurred and allocated toward fundraising efforts, primarily maintenance of the constituent database.

Funds Held in Short-term Operating Accounts

The supplemental information regarding cash and cash equivalent accounts showed operating funds of about \$1,536,800 including petty cash at December 31. Short-term investable cash held at our custodian is reflected in investments report.

Schedule of Investments

Investment sector values at December 31 were reflected in the supplemental schedule on page 5 and compares the actual allocation to the target percentage as provided for in the FMIP. All the portfolio securities values through the quarter, except the foreign managed real estate investment trust, had been received by the preparation time for these financial statements; that asset has been in liquidation since 2010.

Schedule of Capital Additions

The schedule on page 6 showed capital purchases for the quarter and reflects the expenditures by operations and restricted funds, in comparison to the approved fiscal year budget. The decision was made by senior management to expend operating funds for some capital additions for Doolittle Hall during this year in order to allow the accumulated earnings of the building maintenance fund to grow. Some expenditures shown may have been approved in previous year budgets.

Cash Basis Operating Statement of Activities

The final page of the presented financial statements (page 7) was the comparison of the cash flow activities to the year-to-date cash budget for operations only. The statement showed that the organization had a deficit of approximately \$41,100 from operating functions and a net deficit of about \$92,200 after operating capital purchases. Important variances to GAAP-basis reporting are included below.

Revenues

- **Investment income and distributions** reflected only operating account bank interest received during the quarter.
- Total **donations and contributions** recognized were all one-time gifts received from various donors.
- **Membership dues** received and recognized included about \$32,470 in annual memberships and about \$334,400 of Husky and class club, parent, and family memberships.
- **Advertising and sponsorships** received were significantly below the GAAP-basis reporting primarily because the support from USAA was received in January but deferred until the current fiscal year as the result of a new agreement.

- **Reunion services** revenue, on a cash basis, were significantly lower than the GAAP-basis results and reflected only receipts for the quarter from the fall 2019 reunion registrations and activities.
- The annual support **grant from the Air Force Academy Foundation** is received on a prorated monthly basis for cash-basis reporting but was accrued as a receivable for the entire agreement period during the previous fiscal year in accordance with GAAP.
- All other revenue receipts were addressed in the GAAP-basis discussion and were relevant to the cash-basis reporting.

Expenses

- **Merchandise purchases** on a cash basis, including corresponding freight costs, represented non-inventory merchandise bought during the reporting period, as well as inventory stocking and restocking of new and longstanding items. Actual expenditures exceeded the expected year-to-date budget by about 8.7% as purchases for the winter season were made earlier.
- The **insurance and bonding** premiums will be reflected when lines of coverage are renewed and paid in March but are prorated and recognized monthly on GAAP-basis reporting.
- **Office expenses** include annual subscriptions for new programs that were paid and then deferred but are recognized over a 12-month period for GAAP-basis reporting. There is, therefore, a substantial variance between the GAAP- and cash-basis reporting.
- Year-to-date **facilities expenses** paid are above the GAAP-basis expenses primarily because annual subscriptions for Blackbaud programs have been paid and will be expensed throughout the year on a GAAP-basis.
- All other significant cost elements have been discussed in the previous accrual basis analysis and are relevant to cash basis reporting.

Operating Capital Purchases

- Capital purchases paid with operating funds include assets for the facility that senior management decided would be appropriate for this fiscal year in order to rebuild the accumulated earnings of the building maintenance fund.