

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

Management Discussion and Analysis

**Statement of Financial Position (Page 3)**

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

The total assets of the organization were about \$50.3 million, a decrease of approximately \$5.3 million (9.48%) from \$55.6 million at December 31 the previous year.

Total net assets without donor restrictions of \$23.1 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 decreased by about \$4.485 million year-over-year, again, largely resulting from allocated investment losses.

**Operating Statement of Activities (Page 4)**

For operations, there was a net GAAP-basis deficit of approximately \$1,452,300 in these preliminary statements for the year-to-date ending March 31, 2020, largely due to the \$800,000 difference in revenue recognized in FY2019, instead of FY2020 for the AFA Foundation Grant.

**Revenues (Highlights)**

- **Donations and Contributions** were above the quarterly budget primarily because of a gift of \$55 thousand as the result of a distribution from a gift bequest.
- **Membership Dues** exceeded the budget by \$36,000 at the end of the 3rd quarter.
- **Royalties** were above budget by \$111,000. The USAA Royalty increased by \$50,000 due to a timing difference resulting from the new contract. The remainder of the increase results from a larger than anticipated royalties on travel programs.
- **Activities and Social Events** were down by almost half due to the cancellation of the Jabara dinner in February, and the postponement of the Scotch Tasting and Founders Day events.
- **Miscellaneous Income** was significantly below the quarterly budget primarily because service revenue from CB Announcements was delayed into the 4<sup>th</sup> quarter, which will bring us close to budget by the end of the fiscal year.

**Expenses (Highlights)**

- **Professional printing** was higher than budgeted due to the timing of the payment for the March edition of Checkpoints. This timing issue will be resolved in the 4<sup>th</sup> quarter bringing the printing expenses back within the budgeted amount.
- **Social Events and Meetings** increased approximately 5% due to increased bussing and tailgate/ticket combos for reunions.

- **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.
- **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.

#### Investment Income

Performance reporting for the long-term portion of the portfolio for the fiscal year-to-date showed steep losses during the third quarter. Net allocated investment returns to operations year-to-date were approximately (\$2,938,732), consisting of: investment interest and dividends received and reinvested of approximately \$596,400; net realized gains from Madoff Victims Fund recoveries, totaling about \$78,700; and, unrealized (market) and realized gains of about (\$3,535,000). For March about 61.57% 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 increase in cash and cash equivalent funds of about \$120 thousand from the beginning of the fiscal year. There was approximately \$259,598 used by operating activities, a net \$1,661,722 provided from managing the investment portfolio and purchasing fixed assets, and a net expenditure of about \$1.282 million for long-term purposes, primarily gifts of Moller Trust funds to USAFA.

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

The supplemental information regarding cash and cash equivalent accounts showed operating funds of about \$1,470,400 including petty cash at March 31, 2020. Short-term investable cash held at our custodian is reflected in investments report.

#### Schedule of Investments (Page 6)

Investment sector values at March 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; that asset has been in liquidation since 2010.

#### Schedule of Capital Additions (Page 7)

The schedule on page 7 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.

## Statement of Financial Position

As of March 31,  
(Unaudited)

<u>Assets</u>	2020	2019
Cash and Cash Equivalents	\$ 1,525,664	\$ 449,412
Merchandise Inventory	231,437	172,592
Pledges and Accounts Receivable	909,412	
Less: Discounts and Allowances for Uncollectible	(900)	943,115
Prepaid Expenses	146,743	122,855
<b>Total Current Assets</b>	<b>2,812,356</b>	<b>1,687,577</b>
Investments	<b>43,418,472</b>	<b>49,325,465</b>
Fixed Assets <i>(including Construction in Progress)</i>	12,828,683	
Less: Accumulated Depreciation and Amortization	(8,708,876)	4,447,142
Other Assets	(17,158)	142,156
<b>Total Assets</b>	<b>\$ 50,333,477</b>	<b>\$ 55,602,340</b>
 <u>Liabilities:</u>		
Accounts and Other Payables	\$ 157,879	\$ 158,430
Agency Deposits	1,133,715	1,266,538
Deferred Income and Unearned Life Memberships	10,204,376	9,993,557
Other Liabilities	(4,088)	142,156
Total Liabilities	11,491,882	11,560,681
 <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	4,119,472	4,447,142
Unrestricted-undesignated	982,792	6,435,008
<b>Total Without Donor Restrictions</b>	<b>23,107,414</b>	<b>26,819,997</b>
With Donor Restrictions	15,734,181	17,221,662
<b>Total Net Assets</b>	<b>38,841,595</b>	<b>44,041,659</b>
Total Liabilities and Net Assets	\$ 50,333,477	\$ 55,602,340


  
**ASSOCIATION OF GRADUATES**
  
 UNITED STATES AIR FORCE ACADEMY

**Operating Statement of Activities**
  
 For the Fiscal Period Ended March 31, 2020
   
 (Unaudited)

	YTD Actual	YTD Budget	Variance	PY YTD
Revenues				
<b>Donations and Contributions</b>	<b>\$ 237,891</b>	<b>\$ 179,210</b>	<b>\$ 58,681</b>	<b>\$ 193,001</b>
<b>Membership Dues</b>	<b>704,454</b>	<b>668,372</b>	<b>36,082</b>	<b>691,261</b>
Merchandising	366,691	361,249	5,442	364,926
Member Services	11,640	11,250	390	13,800
Advertising and Sponsorships	433,280	435,130	(1,850)	453,761
Reunion Services	270,953	290,000	(19,047)	309,041
Administration Fees	32,132	36,775	(4,643)	33,418
Conferences	239,306	275,180	(35,874)	276,464
<b>Royalties</b>	<b>235,898</b>	<b>124,820</b>	<b>111,077</b>	<b>129,183</b>
Football Tickets and Tailgates	197,748	221,920	(24,173)	174,061
<b>Activities and Social Events</b>	<b>39,219</b>	<b>77,960</b>	<b>(38,741)</b>	<b>85,038</b>
<b>Miscellaneous Income</b>	<b>4,049</b>	<b>43,005</b>	<b>(38,956)</b>	<b>46,234</b>
Grant from Air Force Academy Fdtn	-	800,000	(800,000)	800,000
Transfers from/(to) Restricted Funds	53,485	(12,500)	65,985	18,468
Total Revenues	<u>2,826,746</u>	<u>3,512,371</u>	<u>(685,625)</u>	<u>3,588,756</u>
Operating Expenses				
Salaries and Wages	1,678,187	1,647,949	30,239	1,480,134
Payroll Taxes	124,619	131,012	(6,393)	112,230
Benefits	220,158	206,331	13,827	192,999
Grants from Unrestricted Funds	3,626	700	2,926	7,729
Board Governance Costs	21,007	18,365	2,642	22,355
Professional Services	267,278	256,516	10,762	239,431
<b>Professional Printing</b>	<b>163,876</b>	<b>134,333</b>	<b>29,543</b>	<b>126,061</b>
Postage and Shipping	112,780	107,479	5,301	109,993
Merchandise Cost of Sales	209,743	223,887	(14,144)	212,179
Insurance and Bonding	32,237	31,930	307	28,057
Employee Travel and Meals	58,717	57,443	1,274	39,287
<b>Social Events and Meetings</b>	<b>415,920</b>	<b>396,907</b>	<b>19,013</b>	<b>335,197</b>
Office Supplies	18,409	21,414	(3,005)	30,799
<b>Advertising and Corporate Promotion</b>	<b>92,680</b>	<b>64,534</b>	<b>28,146</b>	<b>78,696</b>
<b>Office Expenses</b>	<b>216,627</b>	<b>160,915</b>	<b>55,712</b>	<b>140,231</b>
Employee Training and Education	2,296	8,035	(5,739)	2,694
Facilities Expenses	229,074	220,915	8,160	212,289
Depreciation and Amortization	411,892	425,500	(13,608)	431,838
Total Operating Expenses	<u>4,279,126</u>	<u>4,114,165</u>	<u>164,961</u>	<u>3,802,199</u>
<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>(1,452,381)</b>	<b>(601,794)</b>	<b>(850,586)</b>	<b>(213,443)</b>
Other Income and Deductions				
Investment Interest & Dividends	596,422	495,917	100,504	648,308
Realized/Unrealized Gains/(Losses)	(3,535,154)	1,103,516	(4,638,670)	(114,009)
<b>Total Other Income and Deductions</b>	<u>(2,938,732)</u>	<u>1,599,433</u>	<u>(4,538,166)</u>	<u>534,299</u>
<b>NET SURPLUS/(DEFICIT)</b>	<u>\$ (4,391,113)</u>	<u>\$ 997,639</u>	<u>\$ (5,388,752)</u>	<u>\$ 320,856</u>

## Operating Statement of Cash Flows

For the Fiscal Period Ended March 31,  
(Unaudited)

	2020	2019
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Net surplus for the period	\$ (4,391,113)	\$ 320,591
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Non-cash (income) expenses:		
Depreciation	411,892	431,838
Unrealized (gains) losses on investments	3,535,154	1,571,621
Changes in operating assets and liabilities:		
Accounts receivable	29,788	38,818
Contributions receivable, net	600,000	(200,000)
Inventory and prepaid expenses	(98,763)	(34,455)
Accounts payable and accrued expenses	(173,522)	(57,949)
Construction-in-progress and other assets	150,283	135,992
Deferred revenue	(150,157)	108,061
Other liabilities	-	(135,992)
Net cash provided by operating activities	(259,598)	2,178,790
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of investments	(2,092,304)	(6,262,411)
Proceeds from the sale of investments	3,866,230	5,708,661
Purchases of property and equipment	(112,203)	(242,082)
<b>Net cash provided by (used in) investing activities</b>	<b>1,661,722</b>	<b>(795,832)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Net cash (expended)/collected for long-term purposes	(1,282,126)	(1,455,079)
<b>Net cash (expended) provided for financing activities</b>	<b>(1,282,126)</b>	<b>(1,455,079)</b>
<b>Net increase in cash and cash equivalents</b>	<b>119,998</b>	<b>(72,121)</b>
Cash and cash equivalents, beginning of year	1,405,666	521,136
Cash and cash equivalents at March 31,	\$ 1,525,664	\$ 495,015

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

	Actual	Percentage
Petty Cash	\$ 600	0.04%
Operating Funds in Bank	1,470,388	99.96%
<b>TOTAL</b>	<b>\$ 1,470,988</b>	<b>100.00%</b>

**Schedule of Investments**

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

	%	Target	Max	
Short-term Investment Pool	\$ 7,431,389	<b>17.09%</b>	15.0%	20.0%
U. S. Equities (value & growth)	12,250,461	<b>33.99%</b>	30.0%	50.0%
International Equities	7,234,257	<b>20.07%</b>	30.0%	50.0%
Emerging Markets	2,292,427	<b>6.36%</b>	5.0%	10.0%
Real Estate/REITs	1,606,459	<b>4.46%</b>	5.0%	15.0%
Fixed Income	6,065,564	<b>16.83%</b>	10.0%	20.0%
Alternatives	2,531,779	<b>7.02%</b>	15.0%	20.0%
Master Limited Partnerships	1,076,725	<b>2.99%</b>	5.0%	10.0%
AOG Reserve Fund	2,928,874	<b>8.13%</b>	-	-
Investable Cash and unsold stock	54,676	<b>0.15%</b>	-	10.0%
Total Long-term Investment Pool	36,041,222	100.00%	100.0%	
<b>TOTAL</b>	<b>\$ 43,472,611</b>	<b>100.00%</b>	<b>100.0%</b>	

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

	<b>Actual</b>	<b>Annual Budget</b>
<i>Paid with operating funds:</i>		
Building and Grounds	\$ 7,317	\$ -
VALOR Pedestal	4,871	-
Front Entry Doors	3,640	-
Cold Storage Entry Doors	2,535	-
Office Equipment	6,017	5,680
Vehicles	58,272	-
Furniture & Fixtures	4,300	1,500
Computer Equipment	25,251	36,400
Sabers	-	-
Other <i>(incl. available IBM credits)</i>	-	-
Capitalized Lease-Furniture	-	-
Capitalized Software Costs	-	-
	112,203	43,580
<i>Paid with restricted funds:</i>		
Plaza of Heroes concrete restoration	27,325	100,000
Distinguished Graduate Pedestals and Plaques (5 ea.)	33,823	28,800
Heritage Trail concrete restoration and bridge bypass	-	28,000
Re-glaze Office Windows (6 ea.)	-	12,000
Heritage Trail Improvements	50,096	-
Front Walkway concrete replacement	-	16,400
Pavers	2,528	-
Parking Lot lighting	-	10,000
	77,921	195,200
<b>TOTAL</b>	<b>\$ 190,124</b>	<b>\$ 238,780</b>