

Financial Statements  
For the Fiscal Year Ended December 31, 2020 (Unaudited)

Management Discussion and Analysis

**Statement of Financial Position (Page 4)**

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

The total assets of the organization were about \$61.38 million, an increase of approximately \$2.6 million (4.48%) from \$58.75 million at December 31st the previous year.

Total net assets without donor restrictions of \$32.1 million reflect: funds that the Board has designated [about \$1.34 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 \$2.47 million year-over-year as we saw significant gains in investments.

**Operating Statement of Activities (Page 5)**

For operations, there was a net GAAP-basis surplus of \$4,969,511 in these preliminary statements for the fiscal year ending December 31, 2020, largely due to \$6.3 million of investment income.

**Revenues (Highlights Page 5)**

- **Donations and Contributions** are above budget due to gifts received to support operations.
- **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.
- **Reunions** were below budget due to the cancellation of events for 2020 due to Covid-19 and Academy restrictions on gatherings.
- **Service Academy Career Conferences** revenues were significantly less based on switching to a virtual platform which led to reduced rates to be charged to the vendors as well as additional overhead for virtual career platform.
- **Royalties** were below budget by approximately \$69,000. 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.
- **Football Tickets and Tailgates** were below budget due to the cancellation of events for 2020 due to Covid-19 and Academy restrictions on gatherings.
- **Activities and Social Events** were below budget due to the cancellation of events for 2020 due to Covid-19 and Academy restrictions on gatherings.

**Expenses (Highlights Page 5)**

- **Grants from Unrestricted** were higher than budgeted due to payouts from unrestricted funds for Graduate Dependent Scholarship, AFIT scholarship support, and support of the Warrior Simpson Remembrance fund.
- **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.
- **Professional Printing** was higher than budgeted resulting from increased production of Checkpoints in September to reach a wider audience of USAFA graduates.
- **Employee Travel and Meals** expense was below budget as a result of decreased travel due to COVID-19.
- **Social Events and Meetings** expenses were reduced from the cancellation of events and gathering due to Covid-19 and Academy
- **Facilities Expenses** were increased due to carpet replacement and increased donor database costs.

**Investment Income (Highlights Page 5)**

Performance reporting for the long-term portion of the portfolio for the fiscal year showed gains, fueled by a strong recovery in the stock and bond markets. Net allocated investment returns to operations for the fiscal year were **\$6,348,601**, consisting of: investment interest and dividends received and reinvested of **\$352,666** and unrealized (market) and realized gains of \$5,995,936. For December about 72% of the entire portfolio investment results were allocated to AOG operations, based on the guidelines of the FMIP.

**Operating Statement of Cash Flows (Page 6)**

The statement of cash flows on page 6 showed that there was a net increase in cash and cash equivalent funds of **\$504,746** from the beginning of the fiscal year. There was approximately **\$2,778,735** used by operating activities.

**Funds Held in Short-term Operating Accounts (Page 7)**

The supplemental information regarding cash and cash equivalent accounts showed operating funds of **\$1,259,428** including petty cash at December 31, 2020. Short-term investable cash held at Charles Schwab is reflected in investments report.

**Schedule of Investments (Page 7)**

Investment sector values at December 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 8)**

The schedule on page 8 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 December 31,  
(Unaudited)

<u>Assets</u>	2020	2019
Cash and Cash Equivalents	\$ 1,264,875	\$ 1,536,850
Merchandise Inventory	212,385	221,731
Pledges and Accounts Receivable	383,959	
Less: Discounts and Allowances for Uncollectible	<u>(900)</u>	1,107,038
Prepaid Expenses	153,722	142,959
<b>Total Current Assets</b>	<b><u>2,014,041</u></b>	<b><u>3,008,578</u></b>
Investments	55,401,205	51,452,962
Fixed Assets <i>(including Construction in Progress)</i>	13,003,579	
Less: Accumulated Depreciation and Amortization	<u>(9,132,529)</u>	4,155,452
Other Assets	64,962	129,743
	<b><u>\$ 61,379,013</u></b>	<b><u>\$ 58,746,735</u></b>
 <u>Liabilities:</u>		
Accounts and Other Payables	\$ 271,222	\$ 160,429
Agency Deposits	1,464,103	1,288,215
Deferred Income and Unearned Life Memberships	10,413,669	10,089,376
Other Liabilities	-	146,069
	<b><u>12,148,994</u></b>	<b><u>11,684,089</u></b>
 <u>Net Assets:</u>		
Unrestricted – AOG Operating Reserve	1,338,455	2,891,563
Unrestricted-designated – for Short-term Purposes	290,520	290,520
Unrestricted-designated – for Endowments	4,620,040	14,823,067
Invested in Property and Equipment	3,898,805	4,155,452
Unrestricted-undesignated	21,924,993	6,304,915
<b>Total Without Donor Restrictions</b>	<b><u>32,072,813</u></b>	<b><u>28,465,517</u></b>
With Donor Restrictions	17,157,206	18,597,129
<b>Total Net Assets</b>	<b><u>49,230,019</u></b>	<b><u>46,762,646</u></b>
	<b><u>\$ 61,379,013</u></b>	<b><u>\$ 58,746,735</u></b>
Total Liabilities and Net Assets	<b><u>\$ 61,379,013</u></b>	<b><u>\$ 58,746,735</u></b>

## Operating Statement of Activities

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

	YTD Actual	YTD Budget	Variance	PY YTD
<b>Revenues</b>				
<i><b>Donations and Contributions</b></i>	<b>\$ 131,307</b>	<b>\$ 4,560</b>	<b>\$ 126,747</b>	<b>\$ 15,359</b>
Membership Dues	483,217	466,967	16,250	480,917
Merchandising	295,810	300,480	(4,670)	290,775
Member Services	1,710	7,500	(5,790)	6,490
<i><b>Advertising and Sponsorships</b></i>	<b>141,222</b>	<b>275,670</b>	<b>(134,448)</b>	<b>268,580</b>
<i><b>Reunion Services</b></i>	<b>-</b>	<b>159,225</b>	<b>(159,225)</b>	<b>270,855</b>
Administration Fees	32,905	31,275	1,630	32,132
<i><b>Conferences</b></i>	<b>136,044</b>	<b>200,850</b>	<b>(64,806)</b>	<b>185,695</b>
<i><b>Royalties</b></i>	<b>53,281</b>	<b>122,700</b>	<b>(69,419)</b>	<b>139,727</b>
<i><b>Football Tickets and Tailgates</b></i>	<b>-</b>	<b>114,450</b>	<b>(114,450)</b>	<b>197,482</b>
<i><b>Activities and Social Events</b></i>	<b>1,694</b>	<b>29,795</b>	<b>(28,101)</b>	<b>30,147</b>
Miscellaneous Income	1,670	425	1,245	889
Grant from Air Force Academy Fdtn	-	800,000	<b>(800,000)</b>	-
Air Force Academy Fdtn Svc Agreement	87,195	82,650	4,545	-
<i><b>Transfers from/(to) Restricted Funds</b></i>	<b>92,259</b>	<b>-</b>	<b>92,259</b>	<b>14,334</b>
Total Revenues	1,458,314	2,596,547	(1,138,233)	1,933,382
<b>Operating Expenses</b>				
Salaries and Wages	1,292,479	1,306,607	(14,128)	1,134,380
Payroll Taxes	84,041	103,875	(19,834)	81,244
Benefits	167,828	158,235	9,593	144,889
<i><b>Grants from Unrestricted Funds</b></i>	<b>76,622</b>	<b>700</b>	<b>75,922</b>	<b>3,526</b>
Board Governance Costs	10,928	20,389	(9,461)	13,321
<i><b>Professional Services</b></i>	<b>148,618</b>	<b>76,019</b>	<b>72,599</b>	<b>198,886</b>
<i><b>Professional Printing</b></i>	<b>103,518</b>	<b>68,579</b>	<b>34,939</b>	<b>66,641</b>
<i><b>Postage and Shipping</b></i>	<b>92,794</b>	<b>73,326</b>	<b>19,468</b>	<b>75,328</b>
Merchandise Cost of Sales	175,591	174,181	1,410	168,912
Insurance and Bonding	30,522	23,568	(6,954)	20,568
<i><b>Employee Travel and Meals</b></i>	<b>4,271</b>	<b>48,766</b>	<b>(44,495)</b>	<b>47,092</b>
<i><b>Social Events and Meetings</b></i>	<b>1,424</b>	<b>183,445</b>	<b>(182,021)</b>	<b>369,136</b>
Office Supplies	7,741	12,519	(4,778)	14,801
Advertising and Corporate Promotion	27,906	43,184	(15,278)	80,896
Office Expenses	144,531	141,797	2,734	148,611
Employee Training and Education	-	6,130	(6,130)	2,256
<i><b>Facilities Expenses</b></i>	<b>185,137</b>	<b>144,548</b>	<b>40,589</b>	<b>146,871</b>
Depreciation and Amortization	283,453	272,100	11,354	272,429
Total Operating Expenses	2,837,404	2,857,968	(20,564)	2,989,787
<b>OPERATING SURPLUS/(DEFICIT)</b>	(1,379,090)	(261,421)	(1,117,669)	(1,056,405)
<b>Other Income and Deductions</b>				
Investment Interest & Dividends	352,666	380,186	(27,520)	442,809
Realized/Unrealized Gains/(Losses)	5,995,936	423,905	5,572,031	1,578,703
<i><b>Total Other Income and Deductions</b></i>	<b>6,348,601</b>	<b>804,091</b>	<b>5,544,510</b>	<b>2,021,512</b>

NET SURPLUS/(DEFICIT) \$ 4,969,511 \$ 542,670 \$ 4,426,841 \$ 965,107

## Operating Statement of Cash Flows

For the Fiscal Period Ended December 31, (Unaudited)

	2020	2019
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Net surplus for the period	\$ 4,969,511	\$ 965,107
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Non-cash (income) expenses:		
Depreciation	283,454	272,429
Unrealized (gains) losses on investments	(8,399,113)	(1,697,812)
Changes in operating assets and liabilities:		
Accounts receivable	(19,265)	34,654
Contributions receivable, net	606,315	400,000
Inventory and prepaid expenses	(48,568)	(85,108)
Accounts payable and accrued expenses	45,896	(170,973)
Construction-in-progress and other assets	(15)	119
Deferred revenue	(182,787)	(345,160)
Other liabilities	-	-
<b>Net cash provided by (used in) operating activities</b>	<b>(2,778,735)</b>	<b>(626,744)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of investments	(4,402,889)	(1,838,674)
Proceeds from the sale of investments	5,749,157	3,818,835
Purchases of property and equipment	(165,983)	(51,023)
Net cash provided by (used in) investing activities	1,180,286	1,929,137
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Net cash (expended)/collected for long-term purposes	2,103,105	(1,171,208)
Net cash (expended) provided for financing activities	2,103,105	(1,171,208)
<b>Net increase in cash and cash equivalents</b>	<b>504,746</b>	<b>131,184</b>
Cash and cash equivalents, beginning of year	765,666	1,405,666
Cash and cash equivalents at December 31,	\$ 1,270,322	\$ 1,536,850

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

	Actual	Percentage
Petty Cash	\$ 600	0.05%
Operating Funds in Bank	1,258,828	99.95%
<b>TOTAL</b>	<b>\$ 1,259,428</b>	<b>100.00%</b>

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

	Actual	%	Target	Max
Short-term Investment Pool	\$ 6,683,095	<b>11.87%</b>	15.0%	20.0%
U. S. Equities (value & growth)	19,546,544	<b>40.12%</b>	30.0%	50.0%
International Equities	11,773,543	<b>24.16%</b>	30.0%	50.0%
Emerging Markets	3,915,925	<b>8.04%</b>	5.0%	10.0%
Real Estate/REITs	2,558,309	<b>5.25%</b>	5.0%	15.0%
Fixed Income	6,643,956	<b>13.64%</b>	10.0%	20.0%
Alternatives	2,939,161	<b>6.03%</b>	15.0%	20.0%
Master Limited Partnerships	0	<b>0.00%</b>	5.0%	10.0%
AOG Reserve Fund	1,340,672	<b>2.75%</b>	-	-
Investable Cash and unsold stock	5,447	<b>0.01%</b>	-	10.0%
Total Long-term Investment Pool	48,723,557	100.00%	100.0%	
<b>TOTAL</b>	<b>\$ 55,406,652</b>	<b>100.00%</b>	<b>100.0%</b>	

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

	<b>Actual</b>	<b>Annual Budget</b>
<i>Paid with operating funds:</i>		
Parking Lot Resurfacing	\$ -	\$ 160,000
Computer Equipment	2,144	35,000
Audio Visual – Conference Rooms	-	40,000
Back Up Server Software Upgrade	-	7,000
Canon EOS Camera/Accessories	4,968	4,847
Office Furniture	63,511	-
HVAC – Hot Water Pump	3,101	-
	73,724	246,847
Total for operating funds	73,724	246,847
<i>Paid with restricted funds:</i>		
South Heritage Wall Redesign	-	30,000
Distinguished Graduate Pedestals and Plaques	-	45,000
SEA Pavilion Computer/Touchscreen	10,505	12,000
Plaza of Heroes Concrete Repair	74,970	-
Heritage Trail Signs	6,784	5,000
Ring Display	-	5,000
	92,259	97,000
Total for restricted funds	92,259	97,000
<b>TOTAL</b>	<b>\$ 165,983</b>	<b>\$ 343,847</b>