

Financial Statements  
For the eight months ending August 31, 2021 (Unaudited)

Management Discussion and Analysis

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

The enclosed financial results for the eight months ended August 31, 2021 were prepared in accordance with generally accepted accounting principles (GAAP).

The total assets of the organization were about \$128.37 million, an increase of approximately \$71.6 million (126.3%) from \$56.73 million at June 30th of the previous year. The increase is the result of recognizing the AOG's beneficial interest in the Moller Trust that was not reported previously.

Total net assets without donor restrictions of \$37.9 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 \$71.93 million year-over-year as we saw significant gains in investments and the recognition of our interest in the Moller Trust.

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

For operations, there was a net GAAP-basis surplus of \$4,356,882 for the eight months ending August 31, 2021, largely due to \$4.9 million of investment income

**Revenues (Highlights Page 4)**

- **Donations and Contributions** are above budget due to gifts received to support operations.
- **Merchandising** revenue is above budget from increased sales of sabers for graduation which are no longer being sold by cadet supply.
- **Advertising and Sponsorships** were below budget due to lasting impacts from COVID-19 affecting businesses willingness to increase their marketing budgets.
- **Conferences** were below due to the timing of payments for Service Academy Career Conferences, and lower participation from the continued virtual format.

**Expenses (Highlights Page 4)**

- **Grants from Unrestricted** were higher than budgeted due to a payout to the Class of 2010 for fees taken from their Class Gift Donations and a higher volume of scholarship support.
- **Professional Printing** was lower than budgeted from the reduction of printing for various departments and lower than expected costs for the printing of Checkpoints.
- **Postage and Shipping** was lower than budgeted from the reduction of postage usage across various departments and lower than expected costs for the mailing of Checkpoints.

**Expenses (Highlights Page 4) (cont.)**

- **Merchandise Cost of Sales** were higher than budgeted resulting from an increase in merchandise sales.
- **Employee Travel and Meals** expenses were reduced as travel did not resume until late in the second quarter.
- **Advertising and Corporate Promotions** were due to the delayed renewal of our contract with IMG for 2021.
- **Office Expenses** were higher than budgeted as we accelerated replacement of computers to enhance productivity and experienced increased subscription costs for sales tax collection and reporting, charitable solicitation registration, and event registrations.

**Investment Income (Highlights Page 4)**

Performance reporting for the long-term portion of the portfolio for the fiscal year showed gains, fueled by a continued growth in equity markets. Net allocated investment returns to operations for the fiscal year were **\$4,932,782**, consisting of: investment interest and dividends received and reinvested of **\$250,053** and unrealized (market) and realized gains of **\$4,682,729**. For August 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 5)**

The statement of cash flows on page 5 showed that there was a net decrease in cash and cash equivalent funds of **\$853,742** from the beginning of the fiscal year. There was approximately **\$339,917** provided 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 **\$405,685** including petty cash at August 31, 2021. Short-term investable cash held at Charles Schwab is reflected in investments report.

**Schedule of Investments (Page 6)**

Investment sector values at August 31, 2021 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.

## Statement of Financial Position

As of August 31,  
(Unaudited)

<u>Assets</u>	2021	2020
Cash and Cash Equivalents	\$ 405,685	\$ 464,420
Merchandise Inventory	215,682	210,814
Pledges and Accounts Receivable	676,777	
Less: Allowances for Uncollectible Pledges	(900)	584,008
Prepaid Expenses	138,419	97,416
Total Current Assets	1,435,663	1,356,658
Investments	62,420,433	51,425,407
Beneficial Interest in Trust	60,633,909	-
Fixed Assets	13,380,412	
Less: Accumulated Depreciation & Amortization	(9,526,253)	3,898,531
Other Assets	27,837	45,447
	<b>\$ 128,372,001</b>	<b>\$ 56,726,043</b>
 <u>Liabilities:</u>		
Accounts and Other Payables	\$ 324,317	\$ 179,687
Agency Deposits	1,771,655	1,353,307
Deferred Income and Unearned Life Memberships	9,656,430	10,499,456
Other Liabilities	-	-
	11,752,402	12,032,450
 <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	5,238,427	4,620,040
Invested in Property and Equipment	3,854,159	3,898,531
Unrestricted-undesignated	27,161,319	17,737,391
<b>Total Without Donor Restrictions</b>	<b>37,881,880</b>	<b>29,438,045</b>
With Donor Restrictions	78,736,719	15,255,548
<b>Total Net Assets</b>	<b>116,619,599</b>	<b>44,693,593</b>
	<b>\$ 128,372,001</b>	<b>\$ 56,726,043</b>
Total Liabilities and Net Assets		

## Operating Statement of Activities

For the Fiscal Period Ended August 31, 2021  
(Unaudited)

	YTD Actual	YTD Budget	Variance	PY YTD
Revenues				
<b>Donations and Contributions</b>	\$ 517,516	\$ 258,680	\$ 258,836	\$ 440,726
Membership Dues	626,086	634,666	(8,580)	677,086
<b>Merchandising</b>	<b>495,545</b>	<b>383,922</b>	<b>111,623</b>	<b>433,041</b>
Member Services	10,680	10,000	680	6,660
<b>Advertising and Sponsorships</b>	<b>320,164</b>	<b>397,645</b>	<b>(77,481)</b>	<b>291,920</b>
Reunion Services	63,592	29,475	34,117	98
Administration Fees	34,571	29,600	4,971	27,718
<b>Conferences</b>	<b>78,434</b>	<b>153,850</b>	<b>(75,416)</b>	<b>80,084</b>
Royalties	106,372	126,318	(19,946)	150,251
Football Tickets and Tailgates	26,587	54,375	(27,788)	265
Activities and Social Events	75,380	64,010	11,370	(253)
Miscellaneous Income	36,622	31,915	4,707	38,140
Grant from Air Force Academy Fdtn	800,000	800,000	-	-
Air Force Academy Fdtn Svc Agreement	134,410	141,914	(7,504)	44,577
Transfers from/(to) Restricted Funds	35,159	13,500	21,659	101,225
Total Revenues	<u>3,361,118</u>	<u>3,129,870</u>	<u>231,248</u>	<u>2,291,538</u>
Operating Expenses				
Salaries and Wages	1,628,507	1,646,193	(17,686)	1,673,867
Payroll Taxes	120,213	130,147	(9,934)	122,486
Benefits	280,445	275,297	5,148	206,149
<b>Grants from Unrestricted Funds</b>	<b>177,661</b>	<b>50,100</b>	<b>127,561</b>	<b>38,803</b>
Board Governance Costs	38,477	32,661	5,816	18,687
Professional Services	184,633	178,127	6,506	188,509
<b>Professional Printing</b>	<b>85,712</b>	<b>171,342</b>	<b>(85,631)</b>	<b>140,858</b>
<b>Postage and Shipping</b>	<b>57,643</b>	<b>88,868</b>	<b>(31,225)</b>	<b>94,203</b>
<b>Merchandise Cost of Sales</b>	<b>311,790</b>	<b>221,078</b>	<b>90,712</b>	<b>248,385</b>
Insurance and Bonding	33,437	31,424	2,013	34,163
<b>Employee Travel and Meals</b>	<b>17,713</b>	<b>35,296</b>	<b>(17,583)</b>	<b>12,324</b>
Social Events and Meetings	72,227	91,330	(19,103)	53,780
Office Supplies	17,113	16,786	327	11,196
Advertising and Corporate Promotion	13,805	33,095	(19,290)	30,597
<b>Office Expenses</b>	<b>272,427</b>	<b>214,749</b>	<b>57,678</b>	<b>193,545</b>
Employee Training and Education	2,410	2,600	(190)	40
Facilities Expenses	231,882	230,067	1,814	232,343
Depreciation and Amortization	390,925	378,384	12,541	372,106
Total Operating Expenses	<u>3,937,019</u>	<u>3,827,544</u>	<u>109,474</u>	<u>3,672,041</u>
OPERATING SURPLUS/(DEFICIT)	(575,900)	(697,674)	121,774	(1,380,503)
Other Income and Deductions				
<b>Investment Interest &amp; Dividends</b>	<b>250,053</b>	<b>541,721</b>	<b>(291,668)</b>	<b>472,891</b>
<b>Realized/Unrealized Gains/(Losses)</b>	<b>4,682,729</b>	<b>604,560</b>	<b>4,078,169</b>	<b>1,893,620</b>
<b>Total Other Income and Deductions</b>	<u><b>4,932,782</b></u>	<u><b>1,146,281</b></u>	<u><b>3,786,501</b></u>	<u><b>2,326,144</b></u>
NET SURPLUS/(DEFICIT)	<u>\$ 4,356,882</u>	<u>\$ 448,607</u>	<u>\$ 3,908,275</u>	<u>\$ 945,641</u>

## Operating Statement of Cash Flows

For the Fiscal Period Ended August 31,  
(Unaudited)

	2021	2020
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Net surplus for the period	\$ 4,356,882	\$ 945,642
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Non-cash (income) expenses:		
Depreciation	390,925	372,107
Unrealized (gains) losses on investments	(3,845,439)	(1,813,062)
Changes in operating assets and liabilities:		
Accounts receivable	79,942	(68,249)
Contributions receivable, net	(266,666)	533,333
Inventory and prepaid expenses	658	8,833
Accounts payable and accrued expenses	(275,811)	18,023
Construction-in-progress and other assets	(99,110)	(119)
Deferred revenue	(1,464)	5,636
Other liabilities	-	-
<b><i>Net cash provided by (used in) operating activities</i></b>	<b>339,917</b>	<b>2,245</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of investments	(2,601,442)	(929,395)
Proceeds from the sale of investments	810,930	2,447,353
Purchases of property and equipment	(149,987)	(115,716)
Net cash provided by (used in) investing activities	(1,940,499)	1,562,758
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Net cash (expended)/collected for long-term purposes	746,836	(2,849,244)
Net cash (expended) provided for financing activities	647,767	(2,849,244)
<b><i>Net decrease in cash and cash equivalents</i></b>	<b>(853,742)</b>	<b>(770,041)</b>
Cash and cash equivalents, beginning of year	1,259,428	1,537,850
Cash and cash equivalents at June 30, 2021,	\$ 405,685	\$ 767,809

**Funds Held in Short-term Operating Accounts**

For the Fiscal Period Ended August 31, 2021

(Unaudited)

	Actual	Percentage
Petty Cash	\$ 1,800	0.44%
Operating Funds in Bank	403,885	99.56%
<b>TOTAL</b>	<b>\$ 405,685</b>	<b>100.00%</b>

**Schedule of Investments**

For the Fiscal Period August 31, 2021

(Unaudited)

		%	Target	Max
Short-term Investment Pool	\$ 5,822,350	<b>9.33%</b>	15.0%	20.0%
U. S. Equities (value & growth)	25,094,235	<b>44.34%</b>	30.0%	50.0%
International Equities	13,372,517	<b>23.63%</b>	30.0%	50.0%
Emerging Markets	3,800,393	<b>6.71%</b>	5.0%	10.0%
Real Estate/REITs	3,252,659	<b>5.75%</b>	5.0%	15.0%
Fixed Income	6,626,892	<b>11.71%</b>	10.0%	20.0%
Alternatives	3,105,359	<b>5.49%</b>	15.0%	20.0%
Master Limited Partnerships	0	<b>0.00%</b>	5.0%	10.0%
AOG Reserve Fund	1,346,005	<b>2.38%</b>	-	-
Investable Cash and unsold stock	23	<b>0.01%</b>	-	10.0%
Total Long-term Investment Pool	56,598,083	100.00%	100.0%	
<b>TOTAL</b>	<b>\$ 62,420,433</b>	<b>100.00%</b>	<b>100.0%</b>	

**Schedule of Capital Additions**  
 For the Fiscal Period Ended August 31, 2021  
 (Unaudited)

	<b>Actual</b>	<b>Annual Budget</b>
<i>Paid with operating funds:</i>		
Parking Lot Resurfacing	\$ -	\$ 160,000
Computer Equipment	12,436	5,000
Audio Visual – Conference Rooms	13,528	40,000
Back Up Server Software Upgrade	-	6,000
Office Furniture	46,424	100,000
Plumbing Repairs	5,460	-
	77,848	311,000
 <i>Paid with restricted funds:</i>		
South Heritage Wall Redesign	-	30,000
Distinguished Graduate Pedestals and Plaques	-	35,000
Ring Display	-	20,000
Heritage Trail Concrete	69,302	-
Honor Garden Trees	2,837	-
	72,139	95,000
Total for operating funds	77,848	311,000
Total for restricted funds	72,139	95,000
<b>TOTAL</b>	<b>\$ 149,987</b>	<b>\$ 343,847</b>