

Financial Statements
For the six months ending June 30, 2021 (Unaudited)

Management Discussion and Analysis

Statement of Financial Position (Page 3)

The enclosed financial results for the six months ended June 30, 2021 were prepared in accordance with generally accepted accounting principles (GAAP).

The total assets of the organization were about \$127.62 million, an increase of approximately \$73.6 million (136.04%) from \$54.07 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 \$37.6 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 \$73.54 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 \$4,035,974 for the six months ending June 30, 2021, largely due to \$4.1 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.
- **Reunion Services** were below budget as registrations were not opened until July.
- **Activities and Social Events** were below budget due to the cancellation of some events and reduced capacity for social events at Doolittle Hall resulting from Covid-19 and Academy restrictions on social gatherings

Expenses (Highlights Page 4)

- **Salaries and Wages** were lower than budgeted as a result of timing differences and delaying the hiring for two open positions.
- **Grants from Unrestricted** were higher than budgeted due to a payout to the Class of 2010 for fees taken from their Class Gift Donations.
- **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 in the first two quarters.
- **Employee Travel and Meals** expenses were reduced as travel did not resume until late in the second quarter.
- **Social Events and Meetings** expenses were reduced from the cancellation of events and gatherings due to Covid-19 and Academy restrictions
- **Advertising and Corporate Promotions** were lower as we have not yet renewed our contract with IMG for 2021.

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 **\$4,064,705**, consisting of: investment interest and dividends received and reinvested of **\$218,240** and unrealized (market) and realized gains of **\$3,846,465**. For June 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 increase in cash and cash equivalent funds of **\$429,737** from the beginning of the fiscal year. There was approximately **\$777,875** 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 **\$1,689,165** including petty cash at June 30, 2021. Short-term investable cash held at Charles Schwab is reflected in investments report.

Schedule of Investments (Page 6)

Investment sector values at June 30, 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 June 30,
(Unaudited)

<u>Assets</u>		2021		2020
Cash and Cash Equivalents		\$ 1,689,165		\$ 767,809
Merchandise Inventory		137,669		191,037
Pledges and Accounts Receivable	798,778			
Less: Allowances for Uncollectible Pledges	(900)	797,878		723,025
Prepaid Expenses		162,228		120,816
Total Current Assets		2,786,940		1,802,687
Investments		60,208,143		48,225,759
Beneficial Interest in Trust		60,633,909		-
Fixed Assets	13,356,749			
Less: Accumulated Depreciation & Amortization	(9,428,921)	3,927,828		3,398,536
Other Assets		61,478		51,527
		\$ 127,618,298		\$ 54,065,509
 <u>Liabilities:</u>				
Accounts and Other Payables		\$ 330,645		\$ 189,443
Agency Deposits		1,599,135		1,267,936
Deferred Income and Unearned Life Memberships		9,696,430		10,159,206
Other Liabilities		-		(4,088)
		11,626,210		11,612,497
 <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		4,522,704
Invested in Property and Equipment		3,927,828		3,985,536
Unrestricted-undesignated		26,767,512		15,040,639
Total Without Donor Restrictions		37,562,742		26,730,962
With Donor Restrictions		78,429,346		15,722,050
Total Net Assets		115,992,088		42,453,012
		\$ 127,618,298		\$ 54,065,509


ASSOCIATION OF GRADUATES
 UNITED STATES AIR FORCE ACADEMY

Operating Statement of Activities

For the Fiscal Period Ended June 30, 2021
(Unaudited)

	YTD Actual	YTD Budget	Variance	PY YTD
Revenues				
Donations and Contributions	\$ 493,582	\$ 257,110	\$ 236,472	\$ 438,388
Membership Dues	457,121	472,215	(15,094)	507,888
Merchandising	395,656	289,527	106,129	330,409
Member Services	7,030	7,500	(470)	6,390
Advertising and Sponsorships	309,664	316,805	(7,141)	177,120
Reunion Services	-	29,475	(29,475)	98
Administration Fees	34,571	29,600	4,971	27,718
Conferences	32,429	35,000	(2,571)	80,084
Royalties	103,980	115,118	(11,138)	98,165
Football Tickets and Tailgates	-	-	-	265
Activities and Social Events	36,178	57,870	(21,692)	547
Miscellaneous Income	36,278	31,915	4,363	37,187
Grant from Air Force Academy Fdtn	800,000	800,000	-	-
Air Force Academy Fdtn Svc Agreement	103,790	107,514	(3,724)	13,806
Transfers from/(to) Restricted Funds	35,158	13,500	21,658	43,197
Total Revenues	<u>2,845,437</u>	<u>2,563,149</u>	<u>282,288</u>	<u>1,761,261</u>
Operating Expenses				
Salaries and Wages	1,193,938	1,234,645	(40,707)	1,247,911
Payroll Taxes	90,690	97,846	(7,156)	95,266
Benefits	218,365	211,973	6,392	141,519
Grants from Unrestricted Funds	131,832	50,100	81,732	38,303
Board Governance Costs	30,247	25,616	4,631	7,896
Professional Services	116,968	134,404	(17,436)	157,115
Professional Printing	80,235	160,999	(80,764)	140,452
Postage and Shipping	50,792	76,762	(25,970)	76,921
Merchandise Cost of Sales	239,985	166,791	73,194	190,098
Insurance and Bonding	24,897	23,568	1,329	25,665
Employee Travel and Meals	6,603	28,784	(22,181)	9,988
Social Events and Meetings	14,875	87,095	(72,220)	53,718
Office Supplies	9,168	12,768	(3,600)	7,560
Advertising and Corporate Promotion	7,600	30,365	(22,765)	15,487
Office Expenses	184,869	168,529	16,340	155,753
Employee Training and Education	2,410	1,900	510	40
Facilities Expenses	177,100	177,233	(133)	172,376
Depreciation and Amortization	293,594	283,788	9,806	278,925
Total Operating Expenses	<u>2,874,168</u>	<u>2,973,166</u>	<u>(98,998)</u>	<u>2,814,993</u>
OPERATING SURPLUS/(DEFICIT)	(28,731)	(410,017)	381,286	(1,053,732)
Other Income and Deductions				
Investment Interest & Dividends	218,240	406,271	(188,031)	411,708
Realized/Unrealized Gains/(Losses)	3,846,465	453,920	3,392,545	(893,620)
Total Other Income and Deductions	<u>4,064,705</u>	<u>860,191</u>	<u>3,204,514</u>	<u>(481,912)</u>
NET SURPLUS/(DEFICIT)	<u>\$ 4,035,974</u>	<u>\$ 450,174</u>	<u>\$ 3,585,800</u>	<u>\$ (1,535,644)</u>

Operating Statement of Cash Flows

For the Fiscal Period Ended June 30,
(Unaudited)

	2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net surplus for the period	\$ 4,035,974	\$(1,535,643)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Non-cash (income) expenses:		
Depreciation	293,594	278,923
Unrealized (gains) losses on investments	(3,007,490)	1,344,966
Changes in operating assets and liabilities:		
Accounts receivable	57,645	(58,300)
Contributions receivable, net	(400,000)	197,330
Inventory and prepaid expenses	70,164	45,066
Accounts payable and accrued expenses	(270,497)	65,564
Construction-in-progress and other assets	(50)	145,973
Deferred revenue	(1,463)	178,635
Other liabilities	-	(146,069)
<i>Net cash provided by (used in) operating activities</i>	777,875	516,445
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of investments	(1,563,835)	(768,879)
Proceeds from the sale of investments	810,930	2,447,353
Purchases of property and equipment	(92,718)	(115,716)
Net cash provided by (used in) investing activities	(845,622)	1,562,758
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Net cash (expended)/collected for long-term purposes	497,484	(2,849,244)
Net cash (expended) provided for financing activities	497,484	(2,849,244)
<i>Net increase in cash and cash equivalents</i>	429,737	(770,041)
Cash and cash equivalents, beginning of year	1,259,428	1,537,850
Cash and cash equivalents at June 30, 2021,	\$ 1,689,165	\$ 767,809

Funds Held in Short-term Operating Accounts

For the Fiscal Period Ended June 30, 2021

(Unaudited)

	Actual	Percentage
Petty Cash	\$ 1,800	0.11%
Operating Funds in Bank	1,687,365	99.89%
TOTAL	\$ 1,689,165	100.00%

Schedule of Investments

For the Fiscal Period Ended June 30, 2021

(Unaudited)

		%	Target	Max
Short-term Investment Pool	\$ 5,801,019	9.63%	15.0%	20.0%
U. S. Equities (value & growth)	23,032,653	42.33%	30.0%	50.0%
International Equities	13,114,935	24.11%	30.0%	50.0%
Emerging Markets	4,207,795	7.73%	5.0%	10.0%
Real Estate/REITs	3,040,300	5.59%	5.0%	15.0%
Fixed Income	6,574,618	12.08%	10.0%	20.0%
Alternatives	3,091,917	5.68%	15.0%	20.0%
Master Limited Partnerships	0	0.00%	5.0%	10.0%
AOG Reserve Fund	1,344,883	2.47%	-	-
Investable Cash and unsold stock	23	0.01%	-	10.0%
Total Long-term Investment Pool	54,407,124	100.00%	100.0%	
TOTAL	\$ 60,208,143	100.00%	100.0%	

Schedule of Capital Additions
 For the Fiscal Period Ended June 30, 2021
 (Unaudited)

	Actual	Annual Budget
<i>Paid with operating funds:</i>		
Parking Lot Resurfacing	\$ -	\$ 160,000
Computer Equipment	2,110	5,000
Audio Visual – Conference Rooms	5,887	40,000
Back Up Server Software Upgrade	-	6,000
Office Furniture	46,424	100,000
Plumbing Repairs	5,460	-
	59,881	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	30,000	-
Honor Garden Trees	2,837	-
	32,837	95,000
TOTAL	\$ 92,719	\$ 343,847