



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

Financial Statements

Year Ended December 31, 2021

And

Independent Auditors' Report

ASSOCIATION OF GRADUATES OF THE UNITED STATES AIR FORCE ACADEMY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Association of Graduates of the United States Air Force Academy
Colorado Springs, Colorado

Opinion

We have audited the accompanying consolidated financial statements of the Association of Graduates of the United States Air Force Academy (the Association), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Funds with Donor Restrictions are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Stockman Kast Ryan + Co, LLP

July 5, 2022

ASSOCIATION OF GRADUATES OF THE UNITED STATES AIR FORCE ACADEMY

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2021

ASSETS

Cash and cash equivalents	\$ 1,759,146
Accounts receivable	174,364
Contributions receivable, net	199,100
Investments	59,960,293
Investments – agency	1,453,568
Inventory and prepaid expenses	499,201
Beneficial interest in trust	64,854,207
Property and equipment, net	<u>3,780,925</u>
TOTAL ASSETS	<u>\$132,680,804</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 582,719
Agency deposits	1,453,568
Deferred revenue	<u>2,185,631</u>
Total liabilities	<u>4,221,918</u>

NET ASSETS

Without donor restriction:

Board designated for endowment	5,755,432
Board designated for reserve	1,338,455
Board designated for short term purposes	290,520
Available for operations	33,919,320
Invested in property and equipment	<u>3,780,925</u>

Total without donor restriction 45,084,652

With donor restriction 83,374,234

Total net assets 128,458,886

TOTAL LIABILITIES AND NET ASSETS \$132,680,804

See notes to financial statements.

ASSOCIATION OF GRADUATES OF THE UNITED STATES AIR FORCE ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUE			
Investment income, net	\$ 5,888,294	\$ 4,321,022	\$ 10,209,316
Membership dues	8,885,996		8,885,996
Change in fair value of beneficial interest in trust		4,220,298	4,220,298
Subsidy and grant from Air Force Academy Foundation	800,000		800,000
Homecoming and reunions	625,596		625,596
Contributions	455,530	154,679	610,209
Publication and advertising	361,229		361,229
Merchandise, net of costs of \$493,301	306,146		306,146
Royalties	112,472		112,472
Other revenue	<u>365,557</u>	<u></u>	<u>365,557</u>
Total support and revenue before net assets released from restrictions	17,800,820	8,695,999	26,496,819
Net assets released from restrictions	<u>2,338,343</u>	<u>(2,338,343)</u>	<u></u>
Total support and revenue	<u>20,139,163</u>	<u>6,357,656</u>	<u>26,496,819</u>
EXPENSES			
Program services	6,403,495		6,403,495
Supporting services:			
General and administrative	2,036,236		2,036,236
Fundraising	<u>21,712</u>	<u></u>	<u>21,712</u>
Total expenses	<u>8,461,443</u>	<u></u>	<u>8,461,443</u>
CHANGE IN NET ASSETS	<u>11,677,720</u>	<u>6,357,656</u>	<u>18,035,376</u>
NET ASSETS, Beginning of year	<u>33,406,932</u>	<u>77,016,578</u>	<u>110,423,510</u>
NET ASSETS, End of year	<u>\$ 45,084,652</u>	<u>\$ 83,374,234</u>	<u>\$128,458,886</u>

See notes to financial statements.

ASSOCIATION OF GRADUATES OF THE UNITED STATES AIR FORCE ACADEMY

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services						Support Services			
	Academy and Other Services	Cost of Publications	Special Events and Chapter Support	Member Services	Reunions	Total	General and Administrative	Fundraising	Total	Total
Salaries and wages	\$ 620,645	\$ 620,645	\$ 421,289	\$ 103,970	\$ 100,791	\$ 1,867,340	\$ 1,485,206	\$ 13,989	\$ 1,499,195	\$ 3,366,535
Grants	2,218,697					2,218,697				2,218,697
Office and facilities expenses	486,211	232,405	203,451	71,149	66,810	1,060,026	271,955	5,698	277,653	1,337,679
Professional services	100,615	1,700	132,584	479	189,942	425,320	170,046	1,960	172,006	597,326
Cost of merchandise sold				493,301		493,301				493,301
Social events and meetings	16,932	152	164,251		272,859	454,194	31,464		31,464	485,658
Professional printing	4,984	160,675	4,231	682	9,622	180,194	1,097		1,097	181,291
Postage and shipping	38,228	83,105	892	114		122,339	1,916	65	1,981	124,320
Employee travel and meals	1,422	11,628	19,203		4,718	36,971	16,539		16,539	53,510
Insurance and bonding							50,517		50,517	50,517
Advertising and corporate promotion	2,402	20,053	8,530	418	7,011	38,414	7,496		7,496	45,910
Total expense by function	3,490,136	1,130,363	954,431	670,113	651,753	6,896,796	2,036,236	21,712	2,057,948	8,954,744
Less expenses included with revenues on the statement of activities:										
Cost of merchandise sold				(493,301)		(493,301)				(493,301)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION ON THE STATEMENT OF ACTIVITIES	\$ 3,490,136	\$ 1,130,363	\$ 954,431	\$ 176,812	\$ 651,753	\$ 6,403,495	\$ 2,036,236	\$ 21,712	\$ 2,057,948	\$ 8,461,443
PERCENTAGE	41.2%	13.4%	11.3%	2.1%	7.7%	75.7%	24.0%	0.3%	24.3%	100.0%

See notes to financial statements.

ASSOCIATION OF GRADUATES OF THE UNITED STATES AIR FORCE ACADEMY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

OPERATING ACTIVITIES

Change in net assets	\$ 18,035,376
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized gains on investments	(6,543,329)
Change in fair value of beneficial interest in trust	(4,220,298)
Depreciation	593,704
Contributions restricted for long-term purposes	(154,679)
Changes in operating assets and liabilities:	
Accounts receivable	(34,453)
Inventory and prepaid expenses	(129,125)
Accounts payable and accrued expenses	(19,949)
Agency deposits	114,465
Deferred revenue	<u>(7,629,263)</u>
Net cash provided by operating activities	<u>12,449</u>

INVESTING ACTIVITIES

Proceeds from sales of investments	14,264,628
Purchases of investments	(13,728,506)
Purchases of property and equipment	<u>(381,457)</u>
Net cash provided by investing activities	<u>154,665</u>

FINANCING ACTIVITIES

Net cash provided by financing activities —	
Collection of contributions restricted for long-term purposes	<u>332,604</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 499,718

CASH AND CASH EQUIVALENTS, Beginning of year 1,259,428

CASH AND CASH EQUIVALENTS, End of year \$ 1,759,146

See notes to financial statements.

ASSOCIATION OF GRADUATES OF THE UNITED STATES AIR FORCE ACADEMY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — The Association of Graduates of the United States Air Force Academy (the Association) is an organization serving the youngest of the service academies and its graduates. The Association is chartered to support the ideals, values and heritage of the United States Air Force Academy (the Academy); to encourage exceptional candidates to attend the Academy; to encourage and support fundraising for use in furthering the objectives of the Academy and the Association; to foster camaraderie; and to provide a wide variety of services to graduates, cadets and their parents. The Association is an important conduit for the support that exists throughout the country for the Academy and its mission. It provides the "extra margin of excellence", supporting worthy programs not supported by federal funds.

To ensure observance of any limitations or restrictions placed on the use of resources available to the Association, the financial records of the Association are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund.

Basis of Presentation — The Association reports information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions - Net assets available for use in general operations not subject to donor restrictions.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates — The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents — The Association considers all liquid investments with original maturities of three months or less, and which are not held for long term investment purposes, to be

cash equivalents. Cash and highly liquid financial instruments held for long term purposes, regardless of original length to maturity, are reported as investments and are excluded from this definition.

Accounts Receivable — Accounts receivable are stated at the invoice amount. Management provides for probable uncollectible amounts through a provision for bad debts and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2021, management considers all accounts receivable to be fully collectible and, accordingly, there is no valuation allowance.

Contributions Receivable — Contributions receivable are recognized in the period received. The Association uses the allowance method to account for uncollectible contributions receivable. The allowance is based on historical experience and management's analysis of individual promises. At December 31, 2021, the allowance for uncollectible contributions receivable was \$900.

Investments — Investments are recorded at fair value. Realized and unrealized gains and losses are reflected in the statement of activities. Earnings and losses on investments are recognized as increases or decreases in net assets according to the nature of the restrictions on the original gift. Donated investments are recorded at fair market value on the date of donation. See Note 5 for information on fair value measurements.

Investments – Agency — The Association holds and invests monies for certain graduate classes of the Academy for those classes' activities at future dates and for other organizations. These funds are classified as agency deposits and are recorded at fair value.

Inventories — Inventories consist of items held for sale and are stated at the lower of first-in, first-out (FIFO) cost or net realizable value.

Property and Equipment — Property and equipment are recorded at cost for assets purchased by the Association and at estimated fair value at the date of donation for contributed assets. Depreciation of property and equipment is recorded using the straight-line method over estimated useful lives of 3 to 31½ years. The Association's policy is to capitalize assets costing \$1,000 or more with a useful life of one year or more.

Deferred Revenue — Deferred revenue is comprised of receipts for the Life Membership Fund (LMF) and royalties and dues.

The LMF contains the accounts used to invest, monitor and control fees received as a result of the Association's agreement to provide lifetime services to members who have chosen this membership option. During 2021, the Association made the decision to make all new graduates automatic members for life. The membership benefits are consistent with those of members who have paid dues in the past, other than the treatment of the quarterly *Checkpoints* magazine. New members are required to pay for the printed magazine. Formerly paid members will continue receiving the print magazine at no cost.

The Association has recorded the present value of providing the print magazine to formerly paid members over the remainder of their expected life as deferred revenue. Any royalties and dues paid in the past that do not relate to the performance obligation of providing the print magazine were recognized into revenue during the year ended December 31, 2021. The Association has assumed an average life expectancy of 55 years after graduation, over which the deferred revenue balance is amortized.

Revenue Recognition — Contributions received are recorded as net assets with or without donor restrictions depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed Goods, Services and Facilities — Donated material and equipment are recorded as contributions at their estimated value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Income Taxes — The Association is a qualified Association exempt from federal income taxes under the provisions of §501(c)(3) of the Internal Revenue Code. In addition, the Association qualifies for the charitable contribution deduction. The Association believes that it does not have any uncertain tax positions that are material to the financial statements.

Subsequent Events — The Association has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. LIQUIDITY AND AVAILABILITY

The following table reflects the Association's financial assets as of December 31, 2021, reduced by amounts that are not available to meet general expenditures within one year from the statement of financial position date because of contractual restrictions and board designations. Amounts not available to meet general expenditures within one year include net assets with donor restrictions and board designated funds as of December 31, 2021:

Cash and cash equivalents	\$ 1,759,146
Accounts receivable	174,364
Contributions receivable, net	199,100
Investments	59,960,293
Investments – agency	1,453,568
Beneficial interest in trust	<u>64,854,207</u>
Total financial assets	<u>128,400,678</u>
Less amounts unavailable for general expenditures within one year, due to:	
Agency deposits held for other organizations	1,453,568
Restricted by donors with purpose restrictions	18,520,027
Beneficial interest in trust	<u>64,854,207</u>
Total amounts unavailable for general expenditures within one year	<u>84,827,802</u>
Less amounts unavailable to management without Board’s approval:	
Board designated for short term purposes	290,520
Board designated for program and support services	<u>7,093,887</u>
Total amounts unavailable to management without Board’s approval	<u>7,384,407</u>
Total financial assets available to management to meet cash needs for general expenditures within one year	<u>\$ 36,188,469</u>

As part of the Association’s liquidity management, it has a policy to structure its financial assets to be available to support its operations and the United States Air Force Academy. Earnings from cash and investments, memberships, merchandise sales, an annual grant received from the Air Force Academy Foundation and other revenue sources, are used to enable the Association to provide a variety of services to current cadets and graduates, and to further its heritage recognition mission. The Association seeks to maintain financial asset balances that generate income to support its programs. The Association manages an emergency cash flow and has established and monitors responsible investment guidelines and policies, and through quarterly analysis of cash flows and budgeted expenses, it funds the general operations of the organization and administers programs in support of the Academy. The Association manages its cash flow for a one-year cycle from the date of the statement of financial position.

3. FUNCTIONAL EXPENSES ALLOCATION METHODS

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Association. Therefore, many expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on the basis of estimates of time and effort spent by personnel in the various program and supporting services include payroll and related taxes and benefits, professional services, postage and shipping, and office and facilities expenses. All other expenses are attributed directly to individual projects, each of which is identified to a specific operational function.

4. AGREEMENTS WITH THE AIR FORCE ACADEMY FOUNDATION

The Association and the Air Force Academy Foundation (the Foundation), have entered into a Memorandum of Understanding (the MOU) to establish a collaborative, comprehensive friendraising and fundraising process designed to raise increasing levels of charitable support for the Academy and to better serve the needs of the graduate community. There was one MOU in effect during the year ended December 31, 2021. The MOU was effective January 1, 2021 and expired on December 31, 2021. Under the MOU, the Foundation made an annual grant of \$800,000 to the Association, paid in equal monthly installments, which is recognized in the accompanying statement of activities.

The Association and the Foundation have an Operating Support Contract (the Contract) under which the Association will provide services including office space, furniture and equipment, data entry services, mail and check processing services, and information technology support. The Foundation is not required to make any payments for these services.

Subsequent to December 31, 2021, the Foundation and the AOG entered into a Cooperative Operating Agreement (COA) superseding the MOU. The COA is effective January 1, 2022 through December 31, 2024. The agreement can be terminated by either organization with sixty days written notice to the other organization. The purpose of the COA is to continue a collaborative, comprehensive friend-raising and fundraising process designed to (1) better serve the graduate community, (2) promote the heritage and value of the Academy and its graduates, and (3) raise increasing levels of philanthropic and charitable support for the Academy. The COA provides for the following key elements:

- Financial Support - The Foundation will make an annual grant available to the AOG. The grant amount will be paid to the AOG on an as-needed basis out of resources without donor restrictions and within the parameters of the Foundation's Board approved annual budget.
- Shared Leadership - The AOG will enter into an employment agreement with an individual who will serve as the Chief Executive Officer of both the AOG and the Foundation. The costs of employment will be shared equally by both organizations.
- Shared Costs - The AOG and the Foundation will continue to provide operating support to each other by providing office space, infrastructure support, and a range of other services as have been provided by the organizations to each other for the past several years. At the end of each year, the organizations will evaluate the shared costs and determine what, if any, remuneration is necessary by one organization to the other to ensure a reasonable sharing of costs that are mutually beneficial.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Association is required to use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Association has the ability to access.

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Prices determined using significant unobservable inputs.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no significant changes in the methodologies used at December 31, 2021.

Mutual Funds and Money Market Funds — Valued at quoted market prices.

Partnership Interests — Valued based on the net asset value (NAV) per share. The NAV is used as a practical expedient to estimate fair value. This practical expedient would not be used if it was determined to be probable that the investment would be sold at an amount different from the reported NAV. NAV is based upon the fair value of the underlying investments as determined by fund's management and its underlying investment managers. The partnership interests are invested in investment funds, limited partnerships, and private investment companies. The fair values of the underlying investments may differ significantly from the values that would have been used had a ready market for the underlying funds existed.

The fair value of the beneficial interest in trust is based on the fair value of investments as reported by the trust. See Note 7.

The following tables set forth by level, within the fair value hierarchy, the Association's assets stated at fair value as of December 31, 2021:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Mutual funds:				
Domestic equity	\$ 25,543,472			\$ 25,543,472
International equity	16,927,747			16,927,747
Fixed income	12,294,208			12,294,208
Alternatives	3,099,673			3,099,673
REIT/real estate	3,456,529			3,456,529
Money market	1,229			1,229
Beneficial interest in trust		\$ 64,854,207	\$ —	64,854,207
Total investments in the fair value hierarchy	<u>\$ 61,322,858</u>	<u>\$ 64,854,207</u>	<u>\$ —</u>	
Investments measured at net asset value				<u>91,003</u>
Total				<u>\$ 126,268,068</u>

Assets measured at fair value are included in the following amounts on the statement of financial position as of December 31, 2021:

Investments	\$ 59,960,293
Investments – agency	1,453,568
Beneficial interest in trust	<u>64,854,207</u>
Total	<u>\$ 126,268,068</u>

There are no unfunded commitments related to the investments measured at net asset value. The following table summarizes investments measured at net asset value per share as of December 31, 2021:

Investment	Redemption Fair Value	Redemption Frequency	Notice Period
Phoenix Global Real Estate Fund LP	\$ 91,003	On the last day of any quarter, after 3 years	In liquidation

Phoenix Global Real Estate Fund L.P. (Phoenix Global): The Phoenix Global investment strategy is to provide a superior long-term growth of capital through investments in portfolios concentrated in real estate and real estate related interest through various strategies. The Phoenix Global fund is in liquidation.

Net investment income was composed of the following for the year ended December 31, 2021:

Net realized and unrealized gains	\$ 6,543,329
Distributions of income from trust	3,078,350
Interest and dividends	596,912
Investment management and custodial fees	<u>(9,275)</u>
Investment income, net	<u>\$ 10,209,316</u>

Included in total investments is an investment of \$91,003 that was in liquidation as of December 31, 2021. Final liquidation of the investment is expected sometime in the near future. Accordingly, these amounts may not be readily redeemable for cash and may not be fully recoverable.

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2021:

Buildings and improvements	\$ 10,597,399
Equipment	2,672,171
Construction in process	<u>240,387</u>
Total	13,509,957
Less accumulated depreciation	<u>(9,729,032)</u>
Total	<u>\$ 3,780,925</u>

Depreciation expense was \$593,704 during the year ended December 31, 2021.

7. BENEFICIAL INTEREST IN TRUST

The Association is a beneficiary of the Dorothy and Joseph Moller Foundation Trust (the Trust), whose principal is to be held in perpetuity. Assets of the trust are invested and administered by the Trust. Annual distributions are made from the Trust. Assets of the Trust consist of money market funds, domestic and international equity securities, and fixed income securities. The Association records its interest in the Trust at the fair value of the assets held by the Trust. Fair values for investments held by the Trust are determined by reference to quoted market prices and other observable information. As of December 31, 2021, the Association's share of the fair value of the Trust was \$64,854,207. The Association received distributions from the Trust of \$3,078,350 during the year ended December 31, 2021, which is included as investment income in the accompanying statement of activities. The Association recognized a gain on the change in fair value of the Trust of \$4,220,298 during the year ended December 31, 2021.

8. LETTER OF CREDIT

At December 31, 2021, the Company has a letter of credit in the amount of \$6,000,000 from a bank. As of December 31, 2021 the available balance was \$6,000,000 with no outstanding balance. The letter of credit matures on October 13, 2026. The bank requires the Association to maintain a ratio of the letter of credit obligation to the Association's accounts held with the bank of at least 70%. The purpose of the letter of credit is to provide security on bonds purchased by third parties which fund a construction project on the United States Air Force Academy campus.

9. BOARD DESIGNATED NET ASSETS

Board designated net assets consists of the following at December 31, 2021:

The Francis C. Bennett Soaring Margin of Excellence Fund is designated to provide funds to support the Soaring program of the Academy. No additional funds were designated for this purpose during the year ended December 31, 2021. \$ 4,728,182

The Board Designated AOG Reserve Fund was established to provide emergency support to AOG operations when other funds might not be readily available. A separate investment security was bought during the year ended June 30, 2018, and reflects the value of the reserve. No additional funds were designated for this purpose during the year ended December 31, 2021. 1,338,455

The AOG Heritage and Initiatives Preservation Fund is designated to provide maintenance funds for properties on land leased to the AOG, to fund planning needs for future heritage programs, and to support potential donor heritage initiatives. No additional funds were designated for this purpose during the year ended December 31, 2021. 916,482

Board designated funds for short term purposes. No additional funds were designated for this purpose during the year ended December 31, 2021. 290,520

The Graduate Engagement Fund is designated to fund new and/or improve current graduate engagement initiatives to allow the Association of Graduates to better achieve its mission of providing leadership, communication and support to all Academy graduates and friends of the Academy and promote camaraderie among them. No additional funds were designated for this purpose during the year ended December 31, 2021. 110,768

Total \$ 7,384,407

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions may be expended for the following purposes at December 31, 2021:

Time restrictions	\$ 64,854,207
Program and support services	8,673,960
Endowment funds	7,199,840
Building maintenance and improvements	<u>2,646,227</u>
Total	<u>\$ 83,374,234</u>

Net assets with donor restrictions include endowment fund assets to be held indefinitely. The income from the assets can be used for future needs of the Association.

11. ENDOWMENT FUNDS

The Association's endowment funds are restricted for the purpose of supporting the operations of the Association. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Colorado has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The act provides statutory guidance for management investment and expenditure of endowment funds held by not-for-profit organizations. The Association has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Association and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Association
- 7) The investment policies of the Association

Endowment net asset composition by type of fund as of December 31, 2021 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds		\$ 7,199,840	\$ 7,199,840
Board-designated endowment funds	<u>\$ 5,755,432</u>	<u> </u>	<u>5,755,432</u>
Total funds	<u>\$ 5,755,432</u>	<u>\$ 7,199,840</u>	<u>\$ 12,955,272</u>

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, Beginning of year	\$ 5,238,427	\$ 6,554,797	\$ 11,793,224
Net investment income	650,671	756,914	1,407,585
Contributions		101,150	101,150
Board designation of net assets without donor restriction	(133,666)		(133,666)
Appropriation of endowment assets for expenditures	<u> </u>	<u>(213,021)</u>	<u>(213,021)</u>
Endowment net assets, End of year	<u>\$ 5,755,432</u>	<u>\$ 7,199,840</u>	<u>\$ 12,955,272</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. There were no such deficiencies of this nature as of December 31, 2021.

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy the endowment assets are invested in a manner that is intended to produce maximum results while assuming a moderate level of investment risk. The Association expects its endowment funds, over time, to provide a rate of return sufficient to keep pace with the rate of inflation. Actual returns in any given year may vary from this amount.

12. EMPLOYEE RETIREMENT PLAN

The Association established a qualified 401(k) profit sharing plan (the Plan) covering all employees who are twenty-one years of age or older, have completed one year of service, and are not covered by a collective bargaining agreement. The employees may make elective contributions of up to 100% of compensation, subject to statutory limitations, and the Association will make matching

contributions equal to 25% of the employee's elective deferrals of up to 5% of compensation. In addition, the Association may make discretionary contributions to the Plan. The Plan provides for full vesting of matching and discretionary contributions after six years of service. The Association made contributions of \$90,138 for the year ended December 31, 2021.

13. SIGNIFICANT CONCENTRATIONS

The Association maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. As of December 31, 2021, the Association had all of its net contribution receivables due from the Foundation.

The Association invests in investment securities which are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the recorded amount of investments in the Association's financial statements.

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

SUPPLEMENTAL SCHEDULES

ASSOCIATION OF GRADUATES OF THE UNITED STATES AIR FORCE ACADEMY

SCHEDULE OF FUNDS WITH DONOR RESTRICTIONS – NON-ENDOWMENT FOR THE YEAR ENDED DECEMBER 31, 2021

	Beginning Balance	Contributions and Reclassification	Investment Earnings	Change in Fair Value	Total Revenue	Expenses and Releases	Grants and Allocations	Ending Balance
Nutter Fund	\$ 254,437	\$ 11,503			\$ 11,503		\$ (55,498)	\$ 210,442
Superintendent Fund	121,368	25,200	\$ 61,567		86,767		(100,000)	108,135
Supt-Other Discretionary Fund	4,575,398		3,016,783		3,016,783	\$ (115,967)	(1,417,300)	6,058,914
Wings of Blue Fund		199			199			199
DFAS (Astro Dept)	7,733							7,733
Wing Open Boxing	1,368							1,368
Tony M. Johnson	2,868							2,868
Academics General - License Plates	7,000	1,850			1,850			8,850
AOG SEA Plaques and Memorials	5,887							5,887
Class Ring Purchase Assistance		6,000			6,000		(839)	5,161
Class Gift of '02	51							51
Class Gift of '10	248,206	7,247			7,247		(127,076)	128,377
Class Gift of '60	469							469
Class Gift of '61	3,054							3,054
Class Gift of '64	77,672							77,672
Class Gift of '65	4,114							4,114
Class Gift of '66	133,438							133,438
Class Gift of '68	12,405							12,405
Class Gift of '69	6,572							6,572
Class Gift of '72	5,820							5,820
Class Gift of '74	20,000							20,000
Class Gift of '76	9,774							9,774
Class Gift of '77	10,506							10,506
Class Gift of '78	8,053							8,053
Class Gift of '81	71,742							71,742
Class Gift of '83	1,762							1,762
Class Gift of '84	16,753							16,753
Class Gift of '85	20,732							20,732
Class Gift of '87	1,564							1,564
Class Gift of '88	14,753							14,753
Class Gift of '89	5,154							5,154
Class Gift of '90	20,195							20,195
Class Gift of '91	103,900							103,900
Class Gift of '92	92,702							92,702
Class Gift of '94	1,100							1,100
Class Gift of '95	163							163
Class Gift of '96	850							850
Visiting Lecturer Systems Engineering	65							65
McConn Scholarship	519,898		59,055		59,055	(3,108)	(162,575)	413,270
Kruzel Defense Policy	30,948		3,831		3,831	(260)		34,519
Falcon Foundation	248,424		30,726		30,726	(2,009)	(10,396)	266,745

(Continued)

ASSOCIATION OF GRADUATES OF THE UNITED STATES AIR FORCE ACADEMY

SCHEDULE OF FUNDS WITH DONOR RESTRICTIONS – NON-ENDOWMENT FOR THE YEAR ENDED DECEMBER 31, 2021

	Beginning Balance	Contributions and Reclassification	Investment Earnings	Change in Fair Value	Total Revenue	Expenses and Releases	Grants and Allocations	Ending Balance
Falcon Foundation Ackerman	480,087		59,379		59,379	(3,882)	(20,091)	515,493
Admissions - Hennek	65,764		8,140		8,140	(552)		73,352
Football - Hennek	72,507		8,975		8,975	(609)		80,873
LaCrosse and Fencing	41,529		5,141		5,141	(349)		46,321
Storyteller Exhibit Maintenance Endowment	100,932		12,494		12,494	(848)		112,578
Falcon Heritage Forum Keynote Speaker	119,030		14,734		14,734	(1,000)		132,764
Falcon Heritage Forum Travel	59,959		7,422		7,422	(504)		66,877
Class of 65 endowment	168,296		20,832		20,832	(1,414)		187,714
Character - Legasey	51,277		1,998		1,998	(23)	(50,000)	3,252
Character - Schlossberg	322,019		39,861		39,861	(2,705)		359,175
Character - Moore	71,116		8,803		8,803	(597)		79,322
Character - West	188,864		23,379		23,379	(1,587)		210,656
ACES Program	56,462		6,989		6,989	(474)		62,977
Honor Education - Class of '75	408,406		50,554		50,554	(3,431)		455,529
Roslyn Schulte Character/Leadership	105,122	1,530	13,006		14,536	(874)	(2,750)	116,034
Class of '80 Excellence in Ethics	157,403		19,484		19,484	(1,322)		175,565
Joseph D. Helton Memorial Award	8,796		1,089		1,089	(74)		9,811
O'Malley Award	38,436		4,758		4,758	(323)		42,871
Character - AOG	162,820		20,155		20,155	(1,368)		181,607
Class of '80 Oral History/Cadet CLD Fund	259,262		31,989		31,989	(2,141)	(4,800)	284,310
Chuck Bush Memorial Fund	7,556		935		935	(63)		8,428
AOG Class of 2023 Legacy Program	39,598		4,902		4,902	(333)		44,167
CGA-Coleman			2,724		2,724	(2,724)		
AOG Heritage Initiatives & Preservation Fund	175,733		24,255		24,255	(17,417)	(8,039)	174,532
USAFA Class of 1973 LBLE			148		148			148
Beneficial Interest in Moller Trust	60,633,909			\$ 4,220,298	4,220,298			64,854,207
Total	\$ 70,461,781	\$ 53,529	\$ 3,564,108	\$ 4,220,298	\$ 7,837,935	\$ (165,958)	\$ (1,959,364)	\$ 76,174,394

(Concluded)

ASSOCIATION OF GRADUATES OF THE UNITED STATES AIR FORCE ACADEMY

SCHEDULE OF FUNDS WITH DONOR RESTRICTIONS – RESTRICTED ENDOWMENT FOR THE YEAR ENDED DECEMBER 31, 2021

	Beginning Balance	Contributions and Reclassifications	Investment Earnings	Expenses and Transfers	Grants and Allocations	Ending Balance	Portion to be Held in Perpetuity
General Ira C. Eaker Endowment for Defense Policy Lecture Series	\$ 121,563		\$ 15,104	\$ (1,025)		\$ 135,642	\$ 66,709
Frank E. & H. E. Hedrick Endowment for Cadet and Faculty Enrichment	256,461		31,488	(2,073)	\$ (10,433)	275,443	151,524
Dr. Henry Kissinger Endowment for National Security Studies	40,879		5,060	(343)		45,596	20,058
John K. Gerhart Scholarship for French Study	524,654		64,677	(4,318)	(11,400)	573,613	278,658
Donald R. Backlund Endowment for USAFA Military Symposium	23,078		2,856	(194)		25,740	11,725
Roger Stringer Award for Outstanding Cadet in Intercollegiate Speech	23,437		2,901	(197)		26,141	11,550
Henry S. Walker Endowment for POW Museum	53,562		6,630	(450)		59,742	13,695
Col. Franklin C. Wolfe Humanities Scholarship	62,110		7,628	(502)	(2,600)	66,636	43,511
WWI Overseas Flyers - American Aviation in WWI	62,191		7,698	(522)		69,367	13,957
Cadet Leadership Enrichment	272,441		33,693	(2,250)	(5,000)	298,884	145,853
A.J. Mione Cadet Award for Outstanding Physics Research	44,233		5,475	(371)		49,337	19,435
Graduate Dependent Scholarship	110,515	\$ 1,000	13,344	(897)	(1,879)	122,083	97,103
Joseph A. Reich, Sr. Lecture Series	148,338		18,352	(1,234)	(1,500)	163,956	91,557
305th Bombardment Group Memorial Association - Leadership Education	182,184		22,550	(1,530)		203,204	75,020
Richard Lawson - Award for Outstanding Cadet in Communications	319,005	1,350	39,408	(2,653)	(4,779)	352,331	219,350
Jerry C. Lindh - Cadet Honor Awards	21,275		2,633	(179)		23,729	8,898
Ross A. LaTorra - Men's Rugby	17,845		2,209	(150)		19,904	11,053
Computer Science Department Awards	12,639		1,564	(106)		14,097	8,338
Warren Sneed - Wings of Blue Jump Team	44,304		5,488	(373)		49,419	28,092
General Kenneth L. Tallman - Liaison Officer Service Awards	12,383	100	1,459	(99)	(183)	13,660	12,791
General & Mrs. L.I. Davis - Astronautics Community Projects	62,070		7,442	(505)		69,007	32,676
Graduate and Non-Graduate Awards	104,074		12,869	(872)	(150)	115,921	57,084
Laura A. Piper - Squadron Award	3,135		588	(40)		3,683	2,235
Class of '62 - Academy and AOG Projects	45,653		5,472	(360)	(1,849)	48,916	24,470
Robert B. Spear - Men's Basketball Player Award	20,631		2,736	(186)		23,181	8,535
William R. Grace - Maintenance of the Sand Volleyball Court	30,471	500	3,783	(260)		34,494	21,741
William F. Goodner - Biology Teaching Excellence	20,797		2,550	(171)	(250)	22,926	9,805
Pace Weber - Outstanding Men's Lacrosse Player Award	10,248		1,287	(87)		11,448	4,900
Kenneth Thiele - Graduate History Scholarship	33,057		4,088	(276)	(150)	36,719	13,628
William Heiser - Senior Faculty Teaching Award	36,393		4,505	(306)		40,592	20,000
Q. C. Snyder - Management Department Support	4,477		554	(38)		4,993	2,700
Richard Buschmann - Graduate Dependent Scholarship	16,285		2,005	(135)	(210)	17,945	10,345
Class of '74 - Award for Character Development	37,164		4,600	(312)		41,452	21,500
Class of '59 - NCLS Keynote Speaker	154,475		19,120	(1,297)		172,298	101,000
Powell Family Endowment	15,754		1,950	(132)		17,572	10,000
Tober Family - Astronautics Programs	424,845		52,586	(3,568)		473,863	238,615
Peter Brown - Summer Research Institute	27,808		3,442	(234)		31,016	15,000

(Continued)

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

**SCHEDULE OF FUNDS WITH DONOR RESTRICTIONS – RESTRICTED ENDOWMENT
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Beginning Balance</u>	<u>Contributions and Reclassifications</u>	<u>Investment Earnings</u>	<u>Expenses and Transfers</u>	<u>Grants and Allocations</u>	<u>Ending Balance</u>	<u>Portion to be Held in Perpetuity</u>
Harold Gilbert Character/Leadership Endowment	203,905		25,129	(1,705)		227,329	124,328
Building Operations and Maintenance	2,487,835		301,080	(95,008)	(47,680)	2,646,227	2,167,516
Long Blue Line Endowment	<u>462,623</u>	<u>98,200</u>	<u>10,911</u>			<u>571,734</u>	<u>528,763</u>
Total	<u>\$ 6,554,797</u>	<u>\$ 101,150</u>	<u>\$ 756,914</u>	<u>\$ (124,958)</u>	<u>\$ (88,063)</u>	<u>\$ 7,199,840</u>	<u>\$ 4,743,718</u>

(Concluded)