



AIR FORCE ACADEMY FOUNDATION

Financial Statements

For the Year Ended December 31, 2020

And

Independent Auditors' Report

AIR FORCE ACADEMY FOUNDATION

TABLE OF CONTENTS

| | Page |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020 | |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Functional Expenses | 5 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 7 |

INDEPENDENT AUDITORS' REPORT

Board of Directors
Air Force Academy Foundation
Colorado Springs, Colorado

We have audited the accompanying financial statements of Air Force Academy Foundation (the Organization), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Air Force Academy Foundation as of December 31, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Air Force Academy Foundation's 2019 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 24, 2020. In our opinion, the summarized comparative information presented herein is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan + Co. LLP

May 12, 2021

AIR FORCE ACADEMY FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020 (with comparative totals for 2019)

| | 2020 | 2019 |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 31,469,700 | \$ 29,466,869 |
| Investments | 51,952,652 | 38,971,196 |
| Promises to give, net | 20,303,105 | 32,054,585 |
| Prepaid expenses and other assets | 83,725 | 59,876 |
| Beneficial interest in split-interest agreements | 155,045 | 163,841 |
| Property and equipment, net | <u>28,891</u> | <u>45,767</u> |
| TOTAL ASSETS | <u>\$ 103,993,118</u> | <u>\$ 100,762,134</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 1,420,536 | \$ 419,965 |
| Gift commitments and funds held for others | <u>13,124,154</u> | <u>1,404,246</u> |
| Total liabilities | <u>14,544,690</u> | <u>1,824,211</u> |
| NET ASSETS | | |
| Without donor restrictions | 2,100,787 | 1,761,692 |
| With donor restrictions | <u>87,347,641</u> | <u>97,176,231</u> |
| Total net assets | <u>89,448,428</u> | <u>98,937,923</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 103,993,118</u> | <u>\$ 100,762,134</u> |

See notes to financial statements.

AIR FORCE ACADEMY FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020 (with comparative totals for 2019)

| | 2020 | | | 2019 Total |
|---|-------------------------------|----------------------------|----------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| SUPPORT AND REVENUE | | | | |
| Contributions | \$ 2,389,928 | \$ 22,803,065 | \$ 25,192,993 | \$ 29,632,893 |
| Net realized and unrealized gains on investments | 14,159 | 5,871,375 | 5,885,534 | 7,123,514 |
| Interest and dividends | | 691,820 | 691,820 | 912,559 |
| Other | 644,600 | 4,088 | 648,688 | 3,012 |
| Net assets released from restrictions | <u>39,198,938</u> | <u>(39,198,938)</u> | | |
| Total support and revenue | <u>42,247,625</u> | <u>(9,828,590)</u> | <u>32,419,035</u> | <u>37,671,978</u> |
| EXPENSES | | | | |
| Program services | 37,579,981 | | 37,579,981 | 5,665,766 |
| Supporting services: | | | | |
| Fundraising | 3,131,448 | | 3,131,448 | 4,213,103 |
| General and administrative | <u>1,197,101</u> | | <u>1,197,101</u> | <u>1,032,716</u> |
| Total expenses | <u>41,908,530</u> | <u>—</u> | <u>41,908,530</u> | <u>10,911,585</u> |
| CHANGE IN NET ASSETS | 339,095 | (9,828,590) | (9,489,495) | 26,760,393 |
| NET ASSETS, Beginning of year | <u>1,761,692</u> | <u>97,176,231</u> | <u>98,937,923</u> | <u>72,177,530</u> |
| NET ASSETS, End of year | <u>\$ 2,100,787</u> | <u>\$ 87,347,641</u> | <u>\$ 89,448,428</u> | <u>\$ 98,937,923</u> |

See notes to financial statements.

AIR FORCE ACADEMY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020 (with comparative totals for 2019)

| | 2020 | | | 2019 Total | |
|--|----------------------|-------------------------------|---------------------|----------------------|---------------|
| | Program Services | Supporting Services | | | |
| | | General and Administrative | Fundraising | Total | |
| EXPENSES | | | | | |
| Program Services: | | | | | |
| Academic | \$ 27,180,107 | | | \$ 27,180,107 | \$ 1,570,735 |
| Superintendent | 7,140,167 | | | 7,140,167 | 575,725 |
| Center for Character and Leadership Development | 1,259,624 | | | 1,259,624 | 571,903 |
| Cadet, graduate and heritage | 1,083,689 | | | 1,083,689 | |
| Athletic | 687,577 | | | 687,577 | 1,758,183 |
| Commandant | 219,866 | | | 219,866 | 285,526 |
| Other | 8,951 | | | 8,951 | 903,694 |
| Supporting Services: | | | | | |
| Employee compensation and benefits | | \$ 867,703 | \$ 2,299,065 | 3,166,768 | 3,481,642 |
| Professional fees | | 68,479 | 147,908 | 216,387 | 534,163 |
| Payroll taxes | | 48,163 | 140,137 | 188,300 | 200,672 |
| Professional fundraising | | | 138,247 | 138,247 | 136,128 |
| Printing and copying | | 492 | 122,262 | 122,754 | 142,728 |
| Shared services | | 116,507 | | 116,507 | |
| Postage and shipping | | 818 | 56,591 | 57,409 | 50,117 |
| Travel | | 6,338 | 48,943 | 55,281 | 228,962 |
| Software | | 4,123 | 31,519 | 35,642 | 25,181 |
| Bank fees and charges | | 32,825 | | 32,825 | 27,410 |
| Depreciation | | 1,117 | 20,502 | 21,619 | 40,804 |
| Promotion and engagement | | | 16,666 | 16,666 | 147,829 |
| Conferences and meetings | | 12,034 | 707 | 12,741 | 58,519 |
| Employee development, recruiting and retention | | 1,680 | 5,926 | 7,606 | 35,882 |
| Other | | 36,822 | 102,975 | 139,797 | 135,782 |
| TOTAL | \$ 37,579,981 | \$ 1,197,101 | \$ 3,131,448 | \$ 41,908,530 | |
| PERCENT OF TOTAL | 90% | 3% | 7% | 100% | |
| COMPARATIVE TOTALS – 2019 | \$ 5,665,766 | \$ 1,032,716 | \$ 4,213,103 | | \$ 10,911,585 |
| PERCENT OF TOTAL – 2019 | 52% | 9% | 39% | | 100% |

See notes to financial statements.

AIR FORCE ACADEMY FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020 (with comparative totals for 2019)

| | 2020 | 2019 |
|---|----------------------|----------------------|
| OPERATING ACTIVITIES | | |
| Change in net assets | \$ (9,489,495) | \$ 26,760,393 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Net realized and unrealized gains on investments | (5,885,534) | (7,123,514) |
| Depreciation | 21,619 | 40,804 |
| Contributions of investments pending sale | (35,000) | (65,000) |
| Other | 8,796 | (5,590) |
| Changes in operating assets and liabilities: | | |
| Promises to give | 11,751,480 | (9,138,565) |
| Prepaid expenses and other assets | (23,849) | (14,553) |
| Accounts payable and accrued expenses | 1,000,571 | 203,851 |
| Gift commitments and funds held for others | <u>11,719,908</u> | <u>(1,323,454)</u> |
| Net cash provided by operating activities | <u>9,068,496</u> | <u>9,334,372</u> |
| INVESTING ACTIVITIES | | |
| Proceeds from sales of investments | 3,258,264 | 4,690,537 |
| Purchases of investments | (10,319,186) | (5,819,937) |
| Purchases of property and equipment | <u>(4,743)</u> | <u>(1,882)</u> |
| Net cash used in investing activities | <u>(7,065,665)</u> | <u>(1,131,282)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 2,002,831 | 8,203,090 |
| CASH AND CASH EQUIVALENTS, Beginning of year | <u>29,466,869</u> | <u>21,263,779</u> |
| CASH AND CASH EQUIVALENTS, End of year | <u>\$ 31,469,700</u> | <u>\$ 29,466,869</u> |

See notes to financial statements.

AIR FORCE ACADEMY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — Air Force Academy Foundation (the Organization) f/k/a USAFA Endowment, Inc., a nonprofit corporation, was organized under the laws of the State of Delaware in 2007. Effective January 1, 2020, the Organization changed its name from USAFA Endowment, Inc. to Air Force Academy Foundation. The mission of the Organization is to raise charitable support to enhance the programs and facilities for the cadet wing at the United States Air Force Academy (the Academy) in Colorado Springs, Colorado. The Organization provides ongoing stewardship of donated gifts to ensure gifts are accepted, held and used in accordance with donor intent; and to build a spirit of philanthropy among Academy alumni, parents and friends. The Organization is committed to operating within the framework of the Academy core values of "Integrity first, Service before self, and Excellence in all we do."

The Organization's founding donors established the Founding Director Fund, a restricted fund which is a major source of funding for the operating expenses of the Organization, now and for the future. This Founding Director Fund enables a higher level of program donations to be used principally for their intended purpose. Investment returns also primarily accrue to the applicable restricted fund. Additionally, with respect to restricted gifts, the Organization allocates a percentage of such gifts for unrestricted purposes; the percentage has been established by the Organization's Board of Directors, and may be adjusted from time to time.

Net Assets — The Organization 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 and/or for Academy discretionary purposes - not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions - Net assets subject to donor-imposed (or grantor-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.

Comparative Financial Information — The financial statements include certain prior year summarized comparative information in total.

Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

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 Organization considers all liquid investments with original maturities of three months or less to be cash equivalents.

Investments — Investments are recorded at fair value. Realized and unrealized gains and losses are reflected in the statement of activities. Earnings on investments are recognized as an increase or decrease in net assets without donor restrictions or net assets with donor restrictions according to the nature of the restrictions on the original gift. Donated investments are recorded at fair market value on the date of donation.

Promises to Give — Unconditional promises to give are recognized in the period received. Promises to give are recorded at net realizable value if expected to be collected within one year and at the present value of estimated future cash flows if expected to be collected in more than one year. The discounts on these amounts are computed using risk adjusted discount rates applicable to the year in which the promise is received. Such discount rates ranged from 1.0% to 3.25% as of December 31, 2020. In subsequent years, amortization of the discount is included in contribution revenue in the statement of activities. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization uses the allowance method to account for uncollectible promises to give. The allowance is based on historical experience and management's analysis of individual promises.

Beneficial Interest in Split-Interest Agreements — The Organization is designated as a remainder beneficiary under various split-interest agreements. Under the terms of these agreements, the income beneficiaries (or their estate) receive distributions for a given term. At the end of the respective terms, remaining assets will be transferred to the Organization. The Organization is neither the trustee nor does it exercise any control over the assets. The beneficial interest in these assets has been recorded at the present value of the estimated future benefits to be received.

Property and Equipment — All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized at cost. Donated assets are recorded at fair market value on the date the assets are placed in service. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets, ranging from three to seven years.

Gift Commitments — Unconditional promises made by the Organization are recorded as a gift commitment liability and program services expense in the period the promise is made. Conditional promises are recognized when the conditions on which they depend are substantially met.

Revenue Recognition — Contributions received are recorded as without donor restriction or with donor restriction support depending on the existence or nature of any donor restrictions. 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 support without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

The Organization records contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated.

The Organization received donated materials and services of \$232,776 and \$351,397 in 2020 and 2019, respectively.

Income Taxes — The Organization is a qualified organization exempt from federal income taxes under the provisions of §501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction.

The Organization believes that it does not have any uncertain tax positions that are material to the financial statements.

Subsequent Events — The Organization 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 Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions. Amounts not available to meet general expenditures within one year include net assets with donor restrictions.

| | 2020 | 2019 |
|---|----------------------|---------------------|
| Cash and cash equivalents | \$ 31,469,700 | \$29,466,869 |
| Investments | 51,952,652 | 38,971,196 |
| Promises to give, net | <u>20,317,461</u> | <u>32,054,585</u> |
| Total financial assets | <u>103,739,813</u> | <u>100,492,650</u> |
| Less amounts unavailable for general expenditures within one year, due to: | | |
| Restricted by donors with purpose restrictions | <u>87,347,641</u> | <u>97,176,231</u> |
| Total financial assets available to management to meet cash needs for general expenditures within one year | <u>\$ 16,392,172</u> | <u>\$ 3,316,419</u> |

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. The Organization's policy to manage an emergency cash flow need is through the use of available long-term operating funds. The Organization manages its cash flow through a one-year cycle through the planned use of one-year's unrestricted donations and available long-term operating funds.

3. AGREEMENTS AND TRANSACTIONS WITH THE ASSOCIATION OF GRADUATES

Beginning January 1, 2010, the Organization and the Association of Graduates of the United States Air Force Academy (the "AOG"), have operated pursuant to several memorandums of understanding which provided for a collaborative, comprehensive friendraising and fundraising relationship designed to raise increasing levels of charitable support for the Academy and to better serve the needs of the graduate community.

During 2018, the Organization adopted a Memorandum of Understanding (the "2018 MOU") which was effective through December 31, 2018. In December 2018, the Organization entered into an agreement with the AOG to extend the key provisions of the 2018 MOU through December 31, 2020 (the "2019 MOU"). Pursuant to the 2019 MOU, the Organization made annual grants to the AOG of \$800,000 in both 2020 and 2019.

In 2020 and 2019, the AOG made contributions to the Organization which were restricted for various funds totaling \$4,720,793 and \$600,000, respectively. As of December 31, 2020, the Organization had a pledge receivable from the AOG of \$192,500 to be paid in annual installments from 2021 through 2025.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization 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 Organization 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.

Mutual funds and common stocks are valued based on quoted prices in active markets. Bonds are valued through pricing services. Other assets held for sale consists of a painting donated to the Organization and is valued based on an appraisal. See Note 5 regarding the valuation of the beneficial interest in split-interest agreements.

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

| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|--|----------------------|--|---|--|
| 2020: | | | | |
| Investments: | | | | |
| Domestic equity mutual funds | \$ 31,676,678 | \$ 31,676,678 | | |
| International equity mutual funds | 18,785,970 | 18,785,970 | | |
| Fixed income mutual funds | 1,182,212 | 1,182,212 | | |
| Other assets held for sale | 185,000 | | \$ 185,000 | |
| Domestic bond | 107,100 | | 107,100 | |
| Domestic common stock | <u>15,692</u> | <u>15,692</u> | | |
| Total investments | 51,952,652 | 51,660,552 | 292,100 | \$ — |
| Beneficial interest in split-interest agreements | <u>155,045</u> | | | <u>155,045</u> |
| Total assets at fair value | <u>\$ 52,107,697</u> | <u>\$ 51,660,552</u> | <u>\$ 292,100</u> | <u>\$ 155,045</u> |
| 2019: | | | | |
| Investments: | | | | |
| Domestic equity mutual funds | \$ 22,704,801 | \$ 22,704,801 | | |
| International equity mutual funds | 14,663,445 | 14,663,445 | | |
| Fixed income mutual funds | 1,123,245 | 1,123,245 | | |
| Other assets held for sale | 150,000 | | \$ 150,000 | |
| Domestic bond | 52,476 | | 52,476 | |
| Domestic common stock | 149,000 | 149,000 | | |
| International common stock | <u>128,229</u> | <u>128,229</u> | | |
| Total investments | 38,971,196 | 38,768,720 | 202,476 | \$ — |
| Beneficial interest in split-interest agreements | <u>163,841</u> | | | <u>163,841</u> |
| Total assets at fair value | <u>\$ 39,135,037</u> | <u>\$ 38,768,720</u> | <u>\$ 202,476</u> | <u>\$ 163,841</u> |

The following table shows quantitative information about significant unobservable inputs related to Level 3 fair value measurements used as of December 31, 2020 and 2019:

| | Valuation Technique | Unobservable Inputs | Inputs | |
|-------------------------------|--------------------------|------------------------------|-------------|-------------|
| | | | 2020 | 2019 |
| Charitable remainder trust | Discounted cash flows | Return on assets | 4.0% | 4.0% |
| | | Discount rate | 4.0% | 4.0% |
| Gift annuity | Discounted cash flows | Return on assets | Unavailable | Unavailable |
| | | Discount rate | Unavailable | Unavailable |
| | | Estimated life expectancy | Unavailable | Unavailable |

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using unobservable inputs (Level 3) for the years ended December 31, 2020 and 2019:

| | |
|--|-------------------|
| Balance at January 1, 2019 | \$ 158,251 |
| Change in value | (27,527) |
| Contributions of split-interest agreements | <u>33,117</u> |
| Balance at December 31, 2019 | 163,841 |
| Change in value | 536 |
| Termination of split-interest agreements | <u>(9,332)</u> |
| Balance at December 31, 2020 | <u>\$ 155,045</u> |

5. BENEFICIAL INTEREST IN SPLIT-INTEREST AGREEMENTS

The Organization is the beneficiary of a charitable remainder unitrust (the Trust). One of the Trustees of the Trust is also a member of the Organization's Board of Directors. Under the terms of the Trust, payments are to be made to the two donors during their lifetimes, or to the donor's estate following the death of the second donor, for a total period of 20 years. The annual payments equal 8% of the net fair value of the Trust assets valued as of the first business day of each Trust taxable year. The present value of the Organization's future benefits is calculated using a discount rate of 4% as of December 31, 2020 and 2019. The discount rate is based on the estimated annual investment return on the assets in the Trust. The Organization's beneficial interest in this remainder trust at the net present value is \$137,912 at December 31, 2020 and 2019.

The Organization is also the beneficiary of gift annuity contracts which had a net present value of \$17,133 and \$25,929 at December 31, 2020 and 2019, respectively.

6. PROMISES TO GIVE

Unconditional promises to give consist of the following at December 31:

| | 2020 | 2019 |
|---|----------------------|----------------------|
| Due in less than one year | \$ 7,451,247 | \$ 16,850,760 |
| Due in one to five years | 14,243,370 | 16,877,879 |
| Thereafter | <u>85,000</u> | <u>97,900</u> |
| Total | 21,779,617 | 33,826,539 |
| Allowance for doubtful promises to give | (876,152) | (804,449) |
| Discount to net present value of estimated cash flows | <u>(600,360)</u> | <u>(967,505)</u> |
| Promises to give, net | <u>\$ 20,303,105</u> | <u>\$ 32,054,585</u> |

7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

| | 2020 | 2019 |
|--|------------------|------------------|
| Office equipment | \$ 184,387 | \$ 181,453 |
| Software | 20,974 | 20,974 |
| Leasehold improvements | 11,750 | 11,750 |
| Other | <u>22,972</u> | <u>22,972</u> |
| Total | 240,083 | 237,149 |
| Less accumulated depreciation and amortization | <u>211,192</u> | <u>191,382</u> |
| Property and equipment, net | <u>\$ 28,891</u> | <u>\$ 45,767</u> |

8. GIFT COMMITMENTS AND FUNDS HELD FOR OTHERS

The Organization's gift commitments and funds held for others consist of the following at December 31:

| | 2020 | 2019 |
|--|----------------------|---------------------|
| The Academy | \$ 11,609,948 | \$ 15,369 |
| The Friends of the Air Force Academy Library | 1,509,982 | 1,363,692 |
| Other | <u>4,224</u> | <u>25,185</u> |
| Total | <u>\$ 13,124,154</u> | <u>\$ 1,404,246</u> |

Included in the gift commitments to the Academy reflected above were multiple gift offers which have been officially accepted by the Academy but were not fully delivered by the Organization to the Academy at year-end.

The Organization holds funds on behalf of The Friends of the Air Force Academy Library (The Friends), a separate nonprofit organization which also supports the Academy. As of December 31,

2020 and 2019, the Organization held \$1,509,982 and \$1,363,692, respectively, on behalf of The Friends.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

| | 2020 | 2019 |
|---|----------------------|----------------------|
| Subject to expenditure for specified purpose: | | |
| Program Services: | | |
| Academic | \$ 21,980,442 | \$ 36,395,135 |
| Center for Character and Leadership Development | 20,215,956 | 18,456,968 |
| Athletic | 9,077,990 | 8,405,522 |
| Commandant | 5,579,609 | 2,347,571 |
| Superintendent programs | 3,876,915 | 6,010,583 |
| Cadet, graduate and heritage | 2,592,816 | 3,179,615 |
| Other | 2,923,082 | 2,798,536 |
| Supporting services: | | |
| Founding Director Fund | 17,872,672 | 15,867,258 |
| Campaign Initiative Fund | 3,218,169 | 3,705,053 |
| Other | <u>9,990</u> | <u>9,990</u> |
| Total | <u>\$ 87,347,641</u> | <u>\$ 97,176,231</u> |

10. FUNCTIONAL EXPENSES ALLOCATION METHODS

The financial statements report certain categories of expenses that are associated with one or more programs or with supporting services of the Organization. All expenses are individually identified as to a specific program or supporting service and, accordingly, are directly reflected in the appropriate categories of expenses based on their actual functional purpose.

11. CONCENTRATIONS

The Organization maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits.

During 2020, the Organization received approximately 10.8%, 18.9%, and 12.0% of its contributions from three individual donors. As of December 31, 2020, approximately 22.5% of promises to give were from one individual donor.

During 2019, the Organization received approximately 27% and 10% of its contributions from two individual donors. As of December 31, 2019, approximately 21% and 20% of promises to give were from two individual donors.

12. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2020 and 2019, the Organization received \$2,199,905 and \$13,616,569, respectively, of contributions from members of its Board of Directors (including promises to give). Outstanding promises to give from Board members (before the discount to net present value) accounted for \$10,723,093 and \$20,128,600 as of December 31, 2020 and 2019, respectively.

In 2020, the Organization and the AOG combined their individual CEO positions into one shared position. See Note 3 for information on transactions between the Organization and the AOG.

13. RETIREMENT PLAN

The Organization has adopted a SEP-IRA defined contribution retirement plan for its employees. Subject to meeting the minimum annual earnings level of \$600 established by the Internal Revenue Service, all employees are eligible for participation in the plan effective on the first day of their employment. Subject to federal limitations, the Organization makes a contribution, determined each pay period, of 11.1% of the employee's non-retirement compensation. For the years ended December 31, 2020 and 2019 the Organization's total contributions were \$283,651 and \$321,005, respectively.