

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

**Financial Statements**

**For the Year Ended June 30, 2017**

**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

We have audited the accompanying 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 June 30, 2017 and the related statements of activities 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 the Association of Graduates of the United States Air Force Academy as of June 30, 2017 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 the Association of Graduates of the United States Air Force Academy's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 9, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Temporarily Restricted and Permanently Restricted Funds 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*

November 29, 2017

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

**STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2017 (with comparative totals for 2016)**

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|  | <b>2017</b>                 | <b>2016</b>                 |
|--|-----------------------------|-----------------------------|
| <b>ASSETS</b>                            |                             |                             |
| Cash and cash equivalents                | \$ 784,168                  | \$ 2,055,726                |
| Accounts receivable                      | 117,044                     | 128,053                     |
| Contributions receivable, net            | 251,991                     | 233,294                     |
| Investments                              | 44,627,378                  | 39,902,656                  |
| Investments – agency                     | 1,157,419                   | 1,220,425                   |
| Inventory and prepaid expenses           | 279,643                     | 169,001                     |
| Property and equipment, net              | 5,043,757                   | 5,382,485                   |
| Other                                    | <u>381,783</u>              | <u>314,512</u>              |
| <b>TOTAL ASSETS</b>                      | <b><u>\$ 52,643,183</u></b> | <b><u>\$ 49,406,152</u></b> |
| <b>LIABILITIES AND NET ASSETS</b>        |                             |                             |
| <b>LIABILITIES</b>                       |                             |                             |
| Accounts payable and accrued expenses    | \$ 228,058                  | \$ 215,914                  |
| Agency deposits                          | 1,157,419                   | 1,220,425                   |
| Deferred revenue                         | 9,591,325                   | 9,246,602                   |
| Other liabilities                        | <u>422,247</u>              | <u>346,779</u>              |
| <b>Total liabilities</b>                 | <b><u>11,399,049</u></b>    | <b><u>11,029,720</u></b>    |
| <b>NET ASSETS</b>                        |                             |                             |
| Unrestricted:                            |                             |                             |
| Available for operations                 | 6,250,229                   | 2,174,813                   |
| Board designated for reserve             | 2,000,000                   | 2,077,502                   |
| Board designated for short term purposes | 1,190,000                   | 2,075,000                   |
| Board designated for endowment           | 10,821,823                  | 9,423,911                   |
| Invested in property and equipment       | <u>5,043,757</u>            | <u>5,382,485</u>            |
| <b>Total unrestricted</b>                | <b>25,305,809</b>           | <b>21,133,711</b>           |
| Temporarily restricted                   | 11,888,259                  | 13,218,381                  |
| Permanently restricted                   | <u>4,050,066</u>            | <u>4,024,340</u>            |
| <b>Total net assets</b>                  | <b><u>41,244,134</u></b>    | <b><u>38,376,432</u></b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>  | <b><u>\$ 52,643,183</u></b> | <b><u>\$ 49,406,152</u></b> |

See notes to financial statements.

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017 (with comparative totals for 2016)**

|   | 2017          |                           |                           | 2016<br>Total |               |
|---|---------------|---------------------------|---------------------------|---------------|---------------|
|   | Unrestricted  | Temporarily<br>Restricted | Permanently<br>Restricted |               | Total         |
| <b>SUPPORT AND REVENUE</b>  |               |                           |                           |               |               |
| Contributions   | \$ 367,627    | \$ 2,475,185              | \$ 25,726                 | \$ 2,868,538  | \$ 4,260,087  |
| Membership dues   | 841,797       |                           |                           | 841,797       | 833,972       |
| Subsidy from USAFA Endowment  | 756,175       |                           |                           | 756,175       | 756,117       |
| Publications and advertising  | 485,535       |                           |                           | 485,535       | 501,685       |
| Merchandise, net of costs of \$329,336<br>and \$354,862                   | 312,322       |                           |                           | 312,322       | 239,418       |
| Homecoming and reunions   | 228,883       |                           |                           | 228,883       | 281,729       |
| Royalties   | 132,545       |                           |                           | 132,545       | 130,926       |
| Investment income (loss), net   | 6,115,895     | 1,474,357                 |                           | 7,590,252     | (4,086,975)   |
| Other revenue   | 551,723       |                           |                           | 551,723       | 547,203       |
| Total support and revenue before<br>net assets released from restrictions | 9,792,502     | 3,949,542                 | 25,726                    | 13,767,770    | 3,464,162     |
| Net assets released from restrictions                                     | 5,279,664     | (5,279,664)               |                           |               |               |
| Total support and revenue   | 15,072,166    | (1,330,122)               | 25,726                    | 13,767,770    | 3,464,162     |
| <b>EXPENSES</b>   |               |                           |                           |               |               |
| Program services  | 9,701,903     |                           |                           | 9,701,903     | 8,656,898     |
| Supporting services:  |               |                           |                           |               |               |
| General and administrative  | 1,090,407     |                           |                           | 1,090,407     | 1,450,479     |
| Fund raising  | 107,758       |                           |                           | 107,758       | 128,316       |
| Total expenses  | 10,900,068    |                           |                           | 10,900,068    | 10,235,693    |
| CHANGE IN NET ASSETS  | 4,172,098     | (1,330,122)               | 25,726                    | 2,867,702     | (6,771,531)   |
| NET ASSETS, Beginning of year   | 21,133,711    | 13,218,381                | 4,024,340                 | 38,376,432    | 45,147,963    |
| NET ASSETS, End of year   | \$ 25,305,809 | \$ 11,888,259             | \$ 4,050,066              | \$ 41,244,134 | \$ 38,376,432 |

See notes to financial statements.

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

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2017 (with comparative totals for 2016)**

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|   | <b>2017</b>              | <b>2016</b>                |
|---|--------------------------|----------------------------|
| <b>OPERATING ACTIVITIES</b>   |                          |                            |
| Change in net assets  | \$ 2,867,702             | \$ (6,771,531)             |
| Adjustments to reconcile change in net assets to net cash used in operating activities: |                          |                            |
| Net realized and unrealized (gains) losses on investments                               | (6,878,483)              | 4,725,503                  |
| Depreciation  | 580,070                  | 431,736                    |
| Contributions restricted for long-term purposes   | (2,500,911)              | (4,006,971)                |
| Other   | 3,424                    | 26,164                     |
| Changes in operating assets and liabilities:  |                          |                            |
| Accounts receivable   | 11,009                   | 1,258                      |
| Inventory and prepaid expenses  | (110,642)                | 39,598                     |
| Other assets  | (67,271)                 | (28,466)                   |
| Accounts payable and accrued expenses   | 12,144                   | (32,239)                   |
| Agency deposits   | (63,006)                 | 146,157                    |
| Deferred revenue  | 344,723                  | 359,138                    |
| Other liabilities   | <u>75,468</u>            | <u>44,816</u>              |
| Net cash used in operating activities   | <u>(5,725,773)</u>       | <u>(5,064,837)</u>         |
| <b>INVESTING ACTIVITIES</b>   |                          |                            |
| Proceeds from sales of investments  | 29,525,385               | 13,400,217                 |
| Proceeds from distribution of assets held in trust                                      |                          | 7,763,487                  |
| Purchases of investments  | (27,308,618)             | (17,296,367)               |
| Purchases of property and equipment   | <u>(244,766)</u>         | <u>(1,308,736)</u>         |
| Net cash provided by investing activities   | <u>1,972,001</u>         | <u>2,558,601</u>           |
| <b>FINANCING ACTIVITIES</b>   |                          |                            |
| Net cash provided by financing activities —   |                          |                            |
| Collection of contributions restricted for long-term purposes                           | <u>2,482,214</u>         | <u>3,997,716</u>           |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                             | <b>(1,271,558)</b>       | <b>1,491,480</b>           |
| <b>CASH AND CASH EQUIVALENTS, Beginning of year</b>                                     | <b><u>2,055,726</u></b>  | <b><u>564,246</u></b>      |
| <b>CASH AND CASH EQUIVALENTS, End of year</b>   | <b><u>\$ 784,168</u></b> | <b><u>\$ 2,055,726</u></b> |

See notes to financial statements.

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# ASSOCIATION OF GRADUATES OF THE UNITED STATES AIR FORCE ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### 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 following financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the Association is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Association.

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 Association's financial statements for the year ended June 30, 2016, 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 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. The

net amount of operating cash added to, or withdrawn from, the long-term investments is reported as an investing activity in the statement of cash flows.

**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 June 30, 2017 and 2016, 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.

**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 unrestricted or temporarily restricted 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 4 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 market.

**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. The LMF and the current life membership fees are maintained and determined on a basis that is designed to ensure that the original fee is adequate to fund the annual cost of membership over the average life of participants in the program. Current life membership fees are treated as additions to deferred revenue. The LMF fees are amortized over an assumed average life expectancy of 55 years after graduation.

Royalties and dues collected in periods before being earned are presented on the financial statements as deferred revenue.

**Revenue Recognition** — Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets 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 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 donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**Functional Allocation of Expenses** — The cost of providing various program services and other activities has been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program and supporting services expense categories based on management's estimates.

**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. Tax years that remain subject to examination include 2014 through the current period.

**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. **AGREEMENTS WITH THE USAFA ENDOWMENT**

The Association and USAFA Endowment, Inc. (the Endowment), 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. The MOU was effective on January 1, 2014 and remains in effect for a minimum of four years. Either party may terminate the MOU with 60 days written notice.

Under the MOU, 34% of annual fund cash receipts received by the Endowment are distributed to the Association. In the event that the Association and Endowment do not enter into another Memorandum of Understanding by December 31, 2017, the allocation of the annual funds to the Association will be 31%.

The Association received \$756,175 and \$756,117 during the years ended June 30, 2017 and 2016, respectively, from the Endowment as a result of the MOU. As of June 30, 2017 and 2016, the Association had receivables from the Endowment of \$60,839 and \$69,127, respectively, related to income from the MOU.

The Association and the Endowment have an Operating Support Contract (the Contract) under which the Endowment agrees to pay the Association for services provided, to include rent of office space, furniture and equipment, data entry services, information technology support for hardware and software system and utilities. Payment is to be made in equal monthly installments. The fee for services provided in the years ended June 30, 2017 and 2016 was \$53,614 and \$93,862, respectively.

### 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at June 30:

|   | <b>2017</b>       | <b>2016</b>       |
|---|-------------------|-------------------|
| Due in less than one year                       | \$ 21,197         | \$ 23,792         |
| Due in one to five years                        | <u>258,994</u>    | <u>233,802</u>    |
| Total   | 280,191           | 257,594           |
| Allowance for doubtful contributions receivable | <u>(28,200)</u>   | <u>(24,300)</u>   |
| Contributions receivable, net                   | <u>\$ 251,991</u> | <u>\$ 233,294</u> |

### 4. 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 June 30, 2017 and 2016.

*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 following tables set forth by level, within the fair value hierarchy, the Association's assets stated at fair value as of June 30:

|  | <b>Quoted Prices<br/>in Active<br/>Markets for<br/>Identical Assets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> | <b>Total</b>         |
|--|---|--|--|----------------------|
| <b>2017:</b>                                     |   |  |  |                      |
| Investments:                                     |   |  |  |                      |
| Mutual funds:                                    |   |  |  |                      |
| Domestic equity                                  | \$ 13,000,232   |  |  | \$ 13,000,232        |
| International equity                             | 13,304,028  |  |  | 13,304,028           |
| Fixed income                                     | 13,844,904  |  |  | 13,844,904           |
| REIT/Real Estate                                 | 811,337   |  |  | 811,337              |
| Money market                                     | <u>700,009</u>  | <u>          </u>  | <u>          </u>  | <u>700,009</u>       |
| Total investments in the<br>fair value hierarchy | <u>\$ 41,660,510</u>  | <u>\$ —</u>  | <u>\$ —</u>  | \$ 41,660,510        |
| Investments measured at<br>net asset value       |   |  |  | <u>4,124,287</u>     |
| Total  |   |  |  | <u>\$ 45,784,797</u> |
| <b>2016:</b>                                     |   |  |  |                      |
| Investments:                                     |   |  |  |                      |
| Mutual funds:                                    |   |  |  |                      |
| Domestic equity                                  | \$ 14,747,777   |  |  | \$ 14,747,777        |
| International equity                             | 13,049,163  |  |  | 13,049,163           |
| Fixed income                                     | 8,622,989   |  |  | 8,622,989            |
| Money market                                     | <u>814,526</u>  | <u>          </u>  | <u>          </u>  | <u>814,526</u>       |
| Total investments in the<br>fair value hierarchy | <u>\$ 37,234,455</u>  | <u>\$ —</u>  | <u>\$ —</u>  | 37,234,455           |
| Investments measured at<br>net asset value       |   |  |  | <u>3,888,626</u>     |
| Total  |   |  |  | <u>\$ 41,123,081</u> |

Assets measured at fair value are included in the following amounts on the balance sheets as of June 30:

|                      | <b>2017</b>          | <b>2016</b>          |
|----------------------|----------------------|----------------------|
| Investments          | \$ 44,627,378        | \$ 39,902,656        |
| Investments – agency | <u>1,157,419</u>     | <u>1,220,425</u>     |
| Total                | <u>\$ 45,784,797</u> | <u>\$ 41,123,081</u> |

There are no unfunded commitments related to the investments measured off net asset value. The following table summarizes investments measured at net asset value per share as of June 30:

| <b>Investment</b>                               | <b>Redemption<br/>Fair Value</b> | <b>Redemption<br/>Frequency</b>                  | <b>Notice Period</b>               |
|---|----------------------------------|--|------------------------------------|
| <b>2017:</b>                                    |                                  |  |                                    |
| Sandalwood Overseas<br>Fund SPC, LTD            | \$ 3,839,134                     | Annually, at the end of the<br>fiscal year       | 95 day advanced<br>written notice  |
| Phoenix Global Real<br>Estate Fund LP           | 166,341                          | On the last day of any<br>quarter, after 3 years | 180 day advanced<br>written notice |
| Sandalwood Overseas<br>Liquidating SPV SPC, Ltd | <u>118,812</u>                   | Annually, at the end of the<br>fiscal year       | 95 day advanced<br>written notice  |
| Total   | <u>\$ 4,124,287</u>              |  |                                    |
| <b>2016:</b>                                    |                                  |  |                                    |
| Sandalwood Overseas<br>Fund SPC, LTD            | \$ 3,535,323                     | Annually, at the end of the<br>fiscal year       | 95 day advanced<br>written notice  |
| Sandalwood Overseas<br>Liquidating SPV SPC, Ltd | 188,985                          | Annually, at the end of the<br>fiscal year       | 95 day advanced<br>written notice  |
| Phoenix Global Real<br>Estate Fund LP           | <u>164,318</u>                   | On the last day of any<br>quarter, after 3 years | 180 day advanced<br>written notice |
| Total   | <u>\$ 3,888,626</u>              |  |                                    |

*Sandalwood Overseas Fund SPC, Ltd (Sandalwood Overseas):* Sandalwood Overseas is a Cayman Islands exempted company and was organized for the purpose of investing in private investment companies and other entities. The Association is invested in their Class D Fund, Sandalwood Debt Fund A, L.P. (Debt fund). The Debt fund invests its assets in convertible hedging, capital structure arbitrage, distressed investing, and long and short positions in high yield debt.

*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.

*Sandalwood Overseas Liquidating SPV SPC, Ltd (Sandalwood):* Sandalwood is a Cayman Islands exempted company and was organized for the purpose of facilitating in-kind redemptions related to certain illiquid positions of Sandalwood Overseas Fund SPC, Ltd. Sandalwood is invested in one affiliated private investment company.

Net investment income (loss) was composed of the following for the years ended June 30:

|  | <b>2017</b>         | <b>2016</b>           |
|--|---------------------|-----------------------|
| Interest and dividends                     | \$ 718,592          | \$ 645,363            |
| Net realized and unrealized gains (losses) | 6,878,483           | (4,725,503)           |
| Investment management and custodial fees   | <u>(6,823)</u>      | <u>(6,835)</u>        |
| Investment income (loss), net              | <u>\$ 7,590,252</u> | <u>\$ (4,086,975)</u> |

Included in total investments are investments of \$166,341 and \$188,985 that were in liquidation as of June 30, 2017 and 2016, respectively. Final liquidation of these investments is in 2018. Accordingly, these amounts may not be readily redeemable for cash and may not be fully recoverable.

## 5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

|                               | <b>2017</b>         | <b>2016</b>         |
|-------------------------------|---------------------|---------------------|
| Buildings and improvements    | \$ 10,009,756       | \$ 9,929,500        |
| Equipment                     | <u>2,181,775</u>    | <u>2,306,030</u>    |
| Total                         | 12,191,531          | 12,235,530          |
| Less accumulated depreciation | <u>7,147,774</u>    | <u>6,853,045</u>    |
| Total                         | <u>\$ 5,043,757</u> | <u>\$ 5,382,485</u> |

Depreciation expense was \$580,070 and \$431,736 during the years ending June 30, 2017 and 2016, respectively.

## 6. BOARD DESIGNATED NET ASSETS

Board designated net assets consists of the following at June 30:

|   | <b>2017</b>  | <b>2016</b>  |
|---|--------------|--------------|
| The Long Blue Line Endowment Fund is designated to provide operating funds for services and support to the Academy, cadet programs of the Academy and graduate programs of the Academy. The Board of Directors designated \$100,858 and \$591,365 of unrestricted net assets to the Fund during the years ended June 30, 2017 and 2016, respectively. | \$ 4,432,905 | \$ 3,789,551 |
| The Francis C. Bennett Soaring Margin of Excellence Fund is designated to provide funds to support the Soaring program of the Academy. The Board of Directors designated \$3,000,000 of unrestricted net assets to the Fund during the year ended June 30, 2016. There were no new funds designated during the year ended June 30, 2017.              | 3,386,027    | 2,948,995    |

|   | <b>2017</b>                 | <b>2016</b>                 |
|---|-----------------------------|-----------------------------|
| The Board Designated AOG Reserve Fund was established to provide emergency support to AOG operations when other funds might not be readily available. There were no new unrestricted net assets designated to the Fund during the years ended June 30, 2017 and 2016.   | 2,000,000                   | 2,077,502                   |
| The Francis C. Bennett Scholarship Enhancement Fund is designated to supplement other existing post-graduate scholarships, which are presently underfunded as identified by the Graduate Scholarship Committee. The Board of Directors designated \$1,000,000 of unrestricted net assets to the Fund during the year ended June 30, 2016. There were no new funds designated during the year ended June 30, 2017.                                 | 1,134,735                   | 982,998                     |
| The Francis C. Bennett Aviation Support Fund is designated to provide operating funds to support the aviation and soaring programs of the Academy. The Board of Directors designated \$500,000 of unrestricted net assets to the Fund during the year ended June 30, 2016. There were no new funds designated during the year ended June 30, 2017.  | 567,459                     | 491,499                     |
| 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. The Board of Directors designated \$200,000 of unrestricted net assets to the Fund during the year ended June 30, 2016. There were no new funds designated during the year ended June 30, 2017. | 535,665                     | 530,012                     |
| The Cadet Commanders' Leadership Enrichment Seminar Fund (CLES) is designated to support the Dean's education program at the USAFA. There were no unrestricted net assets designated to the Fund during the years ended June 30, 2017 and 2016.   | 426,104                     | 377,566                     |
| The Graduate Dependent Scholarship Endowment Fund is designated to provide a service to the graduate community by supporting post-secondary education for children of Academy graduate members. There were no unrestricted net assets designated to the Fund during the years ended June 30, 2017 and 2016.   | 338,928                     | 303,290                     |
| Board designated funds for short term purposes. The Board of Directors designated \$2,075,000 of unrestricted net assets during the year ended June 30, 2016. There were no new funds designated during the year ended June 30, 2017.   | <u>1,190,000</u>            | <u>2,075,000</u>            |
| <b>Total</b>  | <u><u>\$ 14,011,823</u></u> | <u><u>\$ 13,576,413</u></u> |

**7. RESTRICTED NET ASSETS**

Temporarily restricted net assets may be expended for the following purposes at June 30:

|                                       | <b>2017</b>          | <b>2016</b>          |
|---------------------------------------|----------------------|----------------------|
| Program and support services          | \$ 11,751,234        | \$ 13,123,157        |
| Building maintenance and improvements | 122,381              | 80,395               |
| Time restrictions                     | <u>14,644</u>        | <u>14,829</u>        |
| Total                                 | <u>\$ 11,888,259</u> | <u>\$ 13,218,381</u> |

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the assets can be used for future needs of the Association.

**8. ENDOWMENT FUNDS**

The Association's endowment funds consist of unrestricted funds functioning as endowments through designations by the Board of Directors of the Association and donor restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Colorado has adopted an investment policy based on the Uniform Prudent Management of Institutional Funds Act (UPMIFA). 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 at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds 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 (depreciation) 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 June 30, 2017 is as follows:

|                                  | <b>Unrestricted</b>  | <b>Temporarily Restricted</b> | <b>Permanently Restricted</b> | <b>Total</b>         |
|----------------------------------|----------------------|-------------------------------|-------------------------------|----------------------|
| Donor-restricted endowment funds | \$ (2,164)           | \$ 1,242,289                  | \$ 4,050,066                  | \$ 5,290,191         |
| Board-designated endowment funds | <u>10,821,823</u>    | <u>                    </u>   | <u>                    </u>   | <u>10,821,823</u>    |
| Total funds                      | <u>\$ 10,819,659</u> | <u>\$ 1,242,289</u>           | <u>\$ 4,050,066</u>           | <u>\$ 16,112,014</u> |

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

|   | <b>Unrestricted</b>  | <b>Temporarily Restricted</b> | <b>Permanently Restricted</b> | <b>Total</b>         |
|---|----------------------|-------------------------------|-------------------------------|----------------------|
| Endowment net assets, Beginning of year                         | \$ 9,399,379         | \$ 814,710                    | \$ 4,024,340                  | \$ 14,238,429        |
| Investment return:  |                      |                               |                               |                      |
| Net appreciation (realized and unrealized) and investment gains | 1,424,579            | 711,875                       |                               | 2,136,454            |
| Contributions   |                      |                               | 25,726                        | 25,726               |
| Board designation of unrestricted net assets                    | 100,858              |                               |                               | 100,858              |
| Appropriation of Endowment assets for expenditures              | <u>(105,157)</u>     | <u>(284,296)</u>              | <u>                    </u>   | <u>(389,453)</u>     |
| Endowment net assets, End of year                               | <u>\$ 10,819,659</u> | <u>\$ 1,242,289</u>           | <u>\$ 4,050,066</u>           | <u>\$ 16,112,014</u> |

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

|                                  | <b>Unrestricted</b> | <b>Temporarily Restricted</b> | <b>Permanently Restricted</b> | <b>Total</b>         |
|----------------------------------|---------------------|-------------------------------|-------------------------------|----------------------|
| Donor-restricted endowment funds | \$ (24,532)         | \$ 814,710                    | \$ 4,024,340                  | \$ 4,814,518         |
| Board-designated endowment funds | <u>9,423,911</u>    | <u>                    </u>   | <u>                    </u>   | <u>9,423,911</u>     |
| Total funds                      | <u>\$ 9,399,379</u> | <u>\$ 814,710</u>             | <u>\$ 4,024,340</u>           | <u>\$ 14,238,429</u> |

Changes in endowment net assets for the year ended June 30, 2016 are as follows:

|  | <b>Unrestricted</b>         | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>         |
|--|-----------------------------|-----------------------------------|-----------------------------------|----------------------|
| Endowment net assets,<br>Beginning of year                           | \$ 4,508,904                | \$ 1,409,112                      | \$ 3,957,171                      | \$ 9,875,187         |
| Investment return:   |                             |                                   |                                   |                      |
| Net depreciation (realized and<br>unrealized) and investment<br>loss | (400,890)                   | (360,044)                         |                                   | (760,934)            |
| Contributions  |                             |                                   | 67,169                            | 67,169               |
| Board designation of unrestricted<br>net assets                      | 5,291,365                   |                                   |                                   | 5,291,365            |
| Appropriation of Endowment<br>assets for expenditures                | <u>                    </u> | <u>(234,358)</u>                  | <u>                    </u>       | <u>(234,358)</u>     |
| Endowment net assets,<br>End of year                                 | <u>\$ 9,399,379</u>         | <u>\$ 814,710</u>                 | <u>\$ 4,024,340</u>               | <u>\$ 14,238,429</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. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$2,164 and \$24,532 as of June 30, 2017 and 2016, respectively.

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.

## 9. PROGRAM SERVICE EXPENSES

Program service expenses consisted of the following for the years ended June 30:

|                                    | <b>2017</b>         | <b>2016</b>         |
|------------------------------------|---------------------|---------------------|
| Academy and other services         | \$ 7,003,384        | \$ 6,301,025        |
| Cost of publications               | 1,310,729           | 1,203,155           |
| Special events and chapter support | 536,276             | 495,593             |
| Member services                    | 406,984             | 281,036             |
| Reunions                           | 207,262             | 197,201             |
| Career opportunities               | 138,371             | 88,685              |
| Special functions                  | <u>98,897</u>       | <u>90,203</u>       |
| Total program service expenses     | <u>\$ 9,701,903</u> | <u>\$ 8,656,898</u> |

## **10. 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 \$69,587 and \$63,089 for the years ended June 30, 2017 and 2016, respectively.

Additionally, the Association established a qualified 457(b) deferred compensation plan (Deferred Compensation Plan) for key employees. Participants of the Deferred Compensation Plan are allowed to make voluntary salary reduction contributions with no limitations. Under the Deferred Compensation Plan, the employer is allowed to make discretionary non-elective contributions to each participant's account. Contributions to the Deferred Compensation Plan are immediately vested. The Association made discretionary non-elective contributions to the Deferred Compensation Plan of \$9,000 for both the years ended June 30, 2017 and 2016.

## **11. SIGNIFICANT CONCENTRATIONS**

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

As of June 30, 2017 and 2016, the Association received approximately 82% and 79%, of the contributions from one donor and two donors, respectively.

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 TEMPORARILY RESTRICTED FUNDS - NON-ENDOWMENT  
FOR THE YEAR ENDED JUNE 30, 2017**

|  | <u>Beginning<br/>Balance</u> | <u>Contributions and<br/>Reclassifications</u> | <u>Investment<br/>Earnings</u> | <u>Total<br/>Revenue<br/>(Losses)</u> | <u>Expenses and<br/>Releases</u> | <u>Grants and<br/>Allocations</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|--|--------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------|
| Campaign Fund:                                     |                              |  |                                |                                       |                                  |                                   |                           |
| Academics  | \$ 71,040                    |  |                                |                                       |                                  | \$ (10,000)                       | \$ 61,040                 |
| Athletics  | 62,406                       |  |                                |                                       |                                  |                                   | 62,406                    |
| Character  | 80,087                       |  |                                |                                       |                                  |                                   | 80,087                    |
| Nutter Scholarship Fund                            | 224,894                      | \$ 11,066                                      |                                | \$ 11,066                             |                                  |                                   | 235,960                   |
| Superintendent's Discretionary Fund                | 68,270                       | 47,212   |                                | 47,212                                |                                  | (56,293)                          | 59,189                    |
| Superintendent's Other Discretionary Fund          | 5,384,770                    | 2,313,388                                      |                                | 2,313,388                             |                                  | (4,408,500)                       | 3,289,658                 |
| Men's Rugby Fund                                   | 750                          |  |                                |                                       |                                  | (680)                             | 70                        |
| DFAS (Astronautics Dept)                           | 22,951                       | 7,478  |                                | 7,478                                 |                                  | (8,400)                           | 22,029                    |
| Wing Open Boxing                                   | 1,368                        |  |                                |                                       |                                  |                                   | 1,368                     |
| Comprehensive Campaign Fund for the Superintendent | 17,981                       |  |                                |                                       |                                  |                                   | 17,981                    |
| Friends of Basketball                              | 122,287                      | 36,771   |                                | 36,771                                | \$ (151)                         | (25,000)                          | 133,907                   |
| Tony M. Johnson Math Teaching Award                | 3,288                        |  |                                |                                       |                                  |                                   | 3,288                     |
| Olmsted Foundation-ROTC Cultural Immerse           | 34,402                       |  |                                |                                       |                                  |                                   | 34,402                    |
| Academics General - License Plates                 | 38,078                       | 2,350  |                                | 2,350                                 | 372                              |                                   | 40,800                    |
| AOG SEA Plaques and Memorials                      | 12,954                       | 29,910   |                                | 29,910                                | 119                              | (36,246)                          | 6,737                     |
| Class of '60 Gift                                  | 469                          |  |                                |                                       |                                  |                                   | 469                       |
| Class of '61 Gift                                  | 2,814                        |  |                                |                                       | (200)                            |                                   | 2,614                     |
| Class of '62 Gift                                  | 14,523                       |  |                                |                                       |                                  |                                   | 14,523                    |
| Class of '63 Gift                                  | 1,504                        |  |                                |                                       |                                  |                                   | 1,504                     |
| Class of '64 Gift                                  | 77,647                       |  |                                |                                       |                                  |                                   | 77,647                    |
| Class of '65 Gift                                  | 4,014                        |  |                                |                                       |                                  |                                   | 4,014                     |
| Class of '66 Gift                                  | 134,588                      |  |                                |                                       |                                  |                                   | 134,588                   |
| Class of '67 Gift                                  | 2,687                        |  |                                |                                       | (1,625)                          |                                   | 1,062                     |
| Class of '68 Gift                                  | 21,880                       |  |                                |                                       |                                  | (5,755)                           | 16,125                    |
| Class of '69 Gift                                  | 6,379                        |  |                                |                                       |                                  |                                   | 6,379                     |
| Class of '70 Gift                                  | 16,123                       |  |                                |                                       |                                  | (13,600)                          | 2,523                     |
| Class of '72 Gift                                  | 5,921                        |  |                                |                                       |                                  |                                   | 5,921                     |
| Class of '73 Gift                                  | 76,581                       | 500  |                                | 500                                   | (100)                            | (50,000)                          | 26,981                    |
| Class of '74 Gift                                  | 57,835                       |  |                                |                                       |                                  |                                   | 57,835                    |
| Class of '75 Gift                                  | 76,973                       | 300  |                                | 300                                   |                                  | (77,048)                          | 225                       |
| Class of '76 Gift                                  | 9,774                        |  |                                |                                       |                                  |                                   | 9,774                     |
| Class of '77 Gift                                  | 10,506                       |  |                                |                                       |                                  |                                   | 10,506                    |
| Class of '78 Gift                                  | 8,053                        |  |                                |                                       |                                  |                                   | 8,053                     |
| Class of '80 Gift                                  | 46                           |  |                                |                                       |                                  |                                   | 46                        |
| Class of '81 Gift                                  | 72,157                       | (15)   |                                | (15)                                  |                                  |                                   | 72,142                    |

(Continued)

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

**SCHEDULE OF TEMPORARILY RESTRICTED FUNDS - NON-ENDOWMENT  
FOR THE YEAR ENDED JUNE 30, 2017**

|   | <b>Beginning<br/>Balance</b> | <b>Contributions and<br/>Reclassifications</b> | <b>Investment<br/>Earnings</b> | <b>Total<br/>Revenue<br/>(Losses)</b> | <b>Expenses and<br/>Releases</b> | <b>Grants and<br/>Allocations</b> | <b>Ending<br/>Balance</b> |
|---|------------------------------|--|--------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------|
| Class of '82 Gift                         | 138,884                      |  |                                |                                       |                                  |                                   | 138,884                   |
| Class of '83 Gift                         | 1,837                        |  |                                |                                       |                                  |                                   | 1,837                     |
| Class of '84 Gift                         | 16,753                       |  |                                |                                       |                                  |                                   | 16,753                    |
| Class of '85 Gift                         | 20,732                       |  |                                |                                       |                                  |                                   | 20,732                    |
| Class of '87 Gift                         | 1,564                        |  |                                |                                       | 100                              |                                   | 1,664                     |
| Class of '88 Gift                         | 14,753                       |  |                                |                                       |                                  |                                   | 14,753                    |
| Class of '89 Gift                         | 5,154                        |  |                                |                                       |                                  |                                   | 5,154                     |
| Class of '90 Gift                         | 20,195                       |  |                                |                                       |                                  |                                   | 20,195                    |
| Class of '91 Gift                         | 102,680                      | 440  |                                | 440                                   |                                  |                                   | 103,120                   |
| Class of '92 Gift                         | 92,702                       |  |                                |                                       |                                  |                                   | 92,702                    |
| Class of '94 Gift                         | 1,100                        |  |                                |                                       |                                  |                                   | 1,100                     |
| Class of '95 Gift                         | 163                          |  |                                |                                       |                                  |                                   | 163                       |
| Class of '96 Gift                         | 850                          |  |                                |                                       |                                  |                                   | 850                       |
| Class of '02 Gift                         | 51                           |  |                                |                                       |                                  |                                   | 51                        |
| Class of '10 Gift                         | 164,352                      | 22,585   |                                | 22,585                                |                                  |                                   | 186,937                   |
| Quasi-endowments                          |                              |  |                                |                                       |                                  |                                   |                           |
| Visiting Lecturer Systems Engineering     | 621,047                      |  | \$ 95,856                      | 95,856                                | (5,184)                          |                                   | 711,719                   |
| McConn Scholarship                        | 947,651                      |  | 136,617                        | 136,617                               | (7,156)                          | (141,866)                         | 935,246                   |
| Academic Research                         | 46,249                       |  | 7,138                          | 7,138                                 | (386)                            |                                   | 53,001                    |
| Kruzel Defense Policy                     | 22,553                       |  | 3,481                          | 3,481                                 | (188)                            |                                   | 25,846                    |
| Falcon Foundation                         | 209,713                      |  | 31,675                         | 31,675                                | (1,692)                          | (7,340)                           | 232,356                   |
| Falcon Foundation Ackerman                | 405,218                      |  | 61,212                         | 61,212                                | (3,270)                          | (14,183)                          | 448,977                   |
| Admissions - Hennek                       | 49,680                       |  | 7,402                          | 7,402                                 | (400)                            | (1,725)                           | 54,957                    |
| Football - Hennek                         | 54,486                       |  | 8,410                          | 8,410                                 | (455)                            |                                   | 62,441                    |
| LaCrosse and Fencing                      | 31,283                       |  | 4,828                          | 4,828                                 | (261)                            |                                   | 35,850                    |
| Warrior Remembrance                       | 466,450                      |  | 68,469                         | 68,469                                |                                  | (38,500)                          | 496,419                   |
| Storyteller Exhibit Maintenance Endowment | 74,368                       |  | 11,478                         | 11,478                                | (621)                            |                                   | 85,225                    |
| Falcon Heritage Forum Keynote Speaker     | 88,621                       |  | 13,451                         | 13,451                                | (727)                            | (3,100)                           | 98,245                    |
| Falcon Heritage Forum Travel              | 44,599                       |  | 6,770                          | 6,770                                 | (366)                            | (1,550)                           | 49,453                    |
| Class of 65 endowment                     | 117,203                      |  | 18,090                         | 18,090                                | (978)                            |                                   | 134,315                   |
| Character - Legasey                       | 167,420                      |  | 25,410                         | 25,410                                | (1,374)                          | (5,875)                           | 185,581                   |
| Character - Schlossberg                   | 252,240                      |  | 38,283                         | 38,283                                | (2,070)                          | (8,850)                           | 279,603                   |
| Character - Moore                         | 55,728                       |  | 8,458                          | 8,458                                 | (457)                            | (1,950)                           | 61,779                    |
| Character - West                          | 147,963                      |  | 22,456                         | 22,456                                | (1,214)                          | (5,200)                           | 164,005                   |
| ACES Program                              | 43,871                       |  | 6,771                          | 6,771                                 | (366)                            |                                   | 50,276                    |
| Honor Education - Class of '75            | 316,178                      |  | 48,800                         | 48,800                                | (2,639)                          |                                   | 362,339                   |
| Roslyn Schulte Character/Leadership       | 70,514                       | 1,000  | 10,545                         | 11,545                                | (574)                            | (2,750)                           | 78,735                    |

(Continued)

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

**SCHEDULE OF TEMPORARILY RESTRICTED FUNDS - NON-ENDOWMENT  
FOR THE YEAR ENDED JUNE 30, 2017**

|  | <b>Beginning<br/>Balance</b> | <b>Contributions and<br/>Reclassifications</b> | <b>Investment<br/>Earnings</b> | <b>Total<br/>Revenue<br/>(Losses)</b> | <b>Expenses and<br/>Releases</b> | <b>Grants and<br/>Allocations</b> | <b>Ending<br/>Balance</b> |
|--|------------------------------|--|--------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------|
| Class of '80 Excellence in Ethics        | 126,347                      |  | 19,501                         | 19,501                                | (1,055)                          |                                   | 144,793                   |
| Joseph D. Helton Memorial Award          | 6,126                        |  | 945                            | 945                                   | (51)                             |                                   | 7,020                     |
| O'Malley Award                           | 26,768                       |  | 4,131                          | 4,131                                 | (223)                            |                                   | 30,676                    |
| Character - AOG                          | 121,492                      |  | 18,751                         | 18,751                                | (1,014)                          |                                   | 139,229                   |
| Class of '80 Oral History/Cadet CLD Fund | 184,684                      |  | 28,505                         | 28,505                                | (1,542)                          |                                   | 211,647                   |
| Chuck Bush Memorial Fund                 | 5,818                        |  | 898                            | 898                                   | (49)                             |                                   | 6,667                     |
| Friends of Boxing                        | 72,592                       | 2,200  | 11,367                         | 13,567                                | (618)                            |                                   | 85,541                    |
| AOG Class of 2023 Legacy Program         | 39,190                       |  | 5,878                          | 5,878                                 | (314)                            | (3,375)                           | 41,379                    |
| CGA-Coleman                              | 19,178                       |  | 3,744                          | 3,744                                 |                                  |                                   | 22,922                    |
| AOG Heritage Preservation Fund           | 225,842                      |  | 33,162                         | 33,162                                | (26,697)                         | (3,968)                           | 228,339                   |
| Unrestricted pledges receivable, net     | 14,829                       |  |                                |                                       | (188)                            |                                   | 14,641                    |
| <b>Total</b>                             | <b>\$ 12,403,671</b>         | <b>\$ 2,475,185</b>                            | <b>\$ 762,482</b>              | <b>\$ 3,237,667</b>                   | <b>\$ (63,614)</b>               | <b>\$ (4,931,754)</b>             | <b>\$ 10,645,970</b>      |

(Concluded)

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

**SCHEDULE OF TEMPORARILY RESTRICTED FUNDS - RESTRICTED ENDOWMENT  
FOR THE YEAR ENDED JUNE 30, 2017**

|  | <b>Beginning<br/>Balance</b> | <b>Contributions and<br/>Reclassifications</b> | <b>Investment<br/>Earnings</b> | <b>Total<br/>Revenue<br/>(Losses)</b> | <b>Expenses and<br/>Releases</b> | <b>Grants and<br/>Allocations</b> | <b>Ending<br/>Balance</b> |
|--|------------------------------|--|--------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------|
| General Ira C. Eaker Endowment for Defense Policy Lecture Series     | \$ 27,181                    |  | \$ 14,053                      | \$ 14,053                             | \$ (760)                         | \$ (3,300)                        | \$ 37,174                 |
| Frank E. & H. E. Hedrick Endowment for Cadet and Faculty Enrichment  | 55,670                       |  | 30,856                         | 30,856                                | (1,669)                          | (7,300)                           | 77,557                    |
| Dr. Henry Kissinger Endowment for National Security Studies          | 10,711                       |  | 4,749                          | 4,749                                 | (257)                            |                                   | 15,203                    |
| John K. Gerhart Scholarship for French Study                         | 124,603                      |  | 61,985                         | 61,985                                | (3,350)                          | (1,500)                           | 181,738                   |
| Donald R. Backlund Endowment for USAFA Military Symposium            | 5,908                        |  | 2,722                          | 2,722                                 | (147)                            |                                   | 8,483                     |
| Roger Stringer Award for Outstanding Cadet in Intercollegiate Speech | 6,725                        |  | 2,821                          | 2,821                                 | (153)                            |                                   | 9,393                     |
| Henry S. Walker Endowment for POW Museum                             | 23,606                       |  | 5,757                          | 5,757                                 | (311)                            |                                   | 29,052                    |
| Col. Franklin C. Wolfe Humanities Scholarship                        | 9,315                        |  | 7,921                          | 7,921                                 | (424)                            | (2,350)                           | 14,462                    |
| WWI Overseas Flyers - American Aviation in WWI                       | 29,353                       |  | 6,685                          | 6,685                                 | (362)                            |                                   | 35,676                    |
| Cadet Leadership Enrichment  | 52,911                       |  | 31,239                         | 31,239                                | (1,685)                          | (2,840)                           | 79,625                    |
| A.J. Mione Cadet Award for Outstanding Physics Research              | 11,456                       |  | 4,768                          | 4,768                                 | (258)                            |                                   | 15,966                    |
| Graduate Dependent Scholarship                                       |                              |  |                                |                                       |                                  |                                   |                           |
| Joseph A. Reich, Sr. Lecture Series                                  | 19,117                       |  | 17,082                         | 17,082                                | (924)                            |                                   | 35,275                    |
| 305th Bombardment Group Memorial Association - Leadership Education  | 51,855                       |  | 19,582                         | 19,582                                | (1,059)                          |                                   | 70,378                    |
| Richard Lawson - Award for Outstanding Cadet in Communications       | 37,492                       |  | 38,366                         | 38,366                                | (2,060)                          | (8,950)                           | 64,848                    |
| Jerry C. Lindh - Cadet Honor Awards                                  | 6,446                        |  | 2,368                          | 2,368                                 | (128)                            |                                   | 8,686                     |
| Ross A. LaTorra - Men's Rugby  | 2,875                        |  | 2,076                          | 2,076                                 | (112)                            | (475)                             | 4,364                     |
| Computer Science Department Awards                                   | 1,784                        |  | 1,562                          | 1,562                                 | (84)                             |                                   | 3,262                     |
| Warren Sneed - Wings of Blue Jump Team                               | 7,730                        |  | 5,430                          | 5,430                                 | (294)                            |                                   | 12,866                    |
| General Kenneth L. Tallman - Liaison Officer Service Awards          |                              |  |                                |                                       |                                  |                                   |                           |
| General & Mrs. L.I. Davis - Astronautics Community Projects          | 14,274                       |  | 7,246                          | 7,246                                 | (392)                            |                                   | 21,128                    |
| Graduate and Non-Graduate Awards                                     | 21,872                       |  | 12,186                         | 12,186                                | (659)                            |                                   | 33,399                    |
| Laura A. Piper - Squadron Award                                      | 1,980                        |  | 651                            | 651                                   | (35)                             |                                   | 2,596                     |
| Class of '62 - Academy and AOG Projects                              | 12,661                       |  | 5,530                          | 5,530                                 | (299)                            | (1,300)                           | 16,592                    |
| Robert B. Spear - Men's Basketball Player Award                      | 6,860                        |  | 2,376                          | 2,376                                 | (129)                            |                                   | 9,107                     |
| William R. Grace - Maintenance of the Sand Volleyball Court          | 13,502                       |  | 5,096                          | 5,096                                 | (277)                            |                                   | 18,321                    |
| William F. Goodner - Biology Teaching Excellence                     | 5,312                        |  | 2,333                          | 2,333                                 | (126)                            |                                   | 7,519                     |
| Pace Weber - Outstanding Men's Lacrosse Player Award                 | 2,455                        |  | 1,135                          | 1,135                                 | (61)                             |                                   | 3,529                     |
| Kenneth Thiele - Graduate History Scholarship                        | 9,394                        |  | 3,553                          | 3,553                                 | (192)                            |                                   | 12,755                    |
| William Heiser - Senior Faculty Teaching Award                       | 6,396                        |  | 4,074                          | 4,074                                 | (220)                            |                                   | 10,250                    |
| Q. C. Snyder - Management Department Support                         | 740                          |  | 531                            | 531                                   | (29)                             |                                   | 1,242                     |
| Richard Buschmann - Graduate Dependent Scholarship                   | 2,639                        |  | 1,999                          | 1,999                                 | (106)                            | (500)                             | 4,032                     |
| Class of '74 - Award for Character Development                       | 6,912                        |  | 4,385                          | 4,385                                 | (237)                            |                                   | 11,060                    |
| Class of '59 - NCLS Keynote Speaker                                  | 23,065                       |  | 18,995                         | 18,995                                | (1,019)                          | (4,350)                           | 36,691                    |
| Cadet Chapel   | 2,672                        |  | 1,905                          | 1,905                                 | (102)                            | (425)                             | 4,050                     |
| Tober Family - Astronautics Programs                                 | 84,317                       |  | 49,843                         | 49,843                                | (2,696)                          |                                   | 131,464                   |

(Continued)

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

**SCHEDULE OF TEMPORARILY RESTRICTED FUNDS - RESTRICTED ENDOWMENT  
FOR THE YEAR ENDED JUNE 30, 2017**

|   | <b>Beginning<br/>Balance</b> | <b>Contributions and<br/>Reclassifications</b> | <b>Investment<br/>Earnings</b> | <b>Total<br/>Revenue<br/>(Losses)</b> | <b>Expenses and<br/>Releases</b> | <b>Grants and<br/>Allocations</b> | <b>Ending<br/>Balance</b> |
|---|------------------------------|--|--------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------|
| Peter Brown - Summer Research Institute       | 6,067                        |  | 3,140                          | 3,140                                 | (170)                            | (725)                             | 8,312                     |
| Harold Gilbert Character/Leadership Endowment | 28,459                       |  | 23,581                         | 23,581                                | (1,275)                          |                                   | 50,765                    |
| Building Operations and Maintenance           | 80,395                       |  | 270,199                        | 270,199                               | (228,220)                        |                                   | 122,374                   |
| Long Blue Line Endowment                      |                              |  | 33,095                         | 33,095                                |                                  |                                   | 33,095                    |
|   | <u>\$ 814,710</u>            | <u>\$ -</u>                                    | <u>\$ 711,875</u>              | <u>\$ 711,875</u>                     | <u>\$ (250,281)</u>              | <u>\$ (34,015)</u>                | <u>\$ 1,242,289</u>       |

(Concluded)

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

**SCHEDULE OF PERMANENTLY RESTRICTED FUNDS - RESTRICTED ENDOWMENT  
FOR THE YEAR ENDED JUNE 30, 2017**

|  | <u>Beginning<br/>Balance</u> | <u>Contributions and<br/>Reclassifications</u> | <u>Investment<br/>Earnings</u> | <u>Total<br/>Revenue<br/>(Losses)</u> | <u>Expenses and<br/>Releases</u> | <u>Grants and<br/>Allocations</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|--|--------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------|
| General Ira C. Eaker Endowment for Defense Policy Lecture Series     | \$ 67,168                    |  |                                |                                       |                                  |                                   | \$ 67,168                 |
| Frank E. & H. E. Hedrick Endowment for Cadet and Faculty Enrichment  | 151,524                      |  |                                |                                       |                                  |                                   | 151,524                   |
| Dr. Henry Kissinger Endowment for National Security Studies          | 20,058                       |  |                                |                                       |                                  |                                   | 20,058                    |
| John K. Gerhart Scholarship for French Study                         | 278,158                      |  |                                |                                       |                                  |                                   | 278,158                   |
| Donald R. Backlund Endowment for USAFA Military Symposium            | 11,725                       |  |                                |                                       |                                  |                                   | 11,725                    |
| Roger Stringer Award for Outstanding Cadet in Intercollegiate Speech | 11,550                       |  |                                |                                       |                                  |                                   | 11,550                    |
| Henry S. Walker Endowment for POW Museum                             | 13,695                       |  |                                |                                       |                                  |                                   | 13,695                    |
| Col. Franklin C. Wolfe Humanities Scholarship                        | 43,511                       |  |                                |                                       |                                  |                                   | 43,511                    |
| WWI Overseas Flyers - American Aviation in WWI                       | 13,957                       |  |                                |                                       |                                  |                                   | 13,957                    |
| Cadet Leadership Enrichment  | 145,853                      |  |                                |                                       |                                  |                                   | 145,853                   |
| A.J. Mione Cadet Award for Outstanding Physics Research              | 19,435                       |  |                                |                                       |                                  |                                   | 19,435                    |
| Graduate Dependent Scholarship                                       | 93,311                       | \$ 1,333                                       |                                | \$ 1,333                              |                                  |                                   | 94,644                    |
| Joseph A. Reich, Sr. Lecture Series                                  | 91,557                       |  |                                |                                       |                                  |                                   | 91,557                    |
| 305th Bombardment Group Memorial Association - Leadership Education  | 75,020                       |  |                                |                                       |                                  |                                   | 75,020                    |
| Richard Lawson - Award for Outstanding Cadet in Communications       | 218,000                      |  |                                |                                       |                                  |                                   | 218,000                   |
| Jerry C. Lindh - Cadet Honor Awards                                  | 8,898                        |  |                                |                                       |                                  |                                   | 8,898                     |
| Ross A. LaTorra - Men's Rugby  | 11,053                       |  |                                |                                       |                                  |                                   | 11,053                    |
| Computer Science Department Awards                                   | 8,338                        |  |                                |                                       |                                  |                                   | 8,338                     |
| Warren Sneed - Wings of Blue Jump Team                               | 27,442                       | 100  |                                | 100                                   |                                  |                                   | 27,542                    |
| General Kenneth L. Tallman - Liaison Officer Service Awards          | 13,508                       |  |                                |                                       |                                  |                                   | 13,508                    |
| General & Mrs. L.I. Davis - Astronautics Community Projects          | 32,676                       |  |                                |                                       |                                  |                                   | 32,676                    |
| Graduate and Non-Graduate Awards                                     | 57,084                       |  |                                |                                       |                                  |                                   | 57,084                    |
| Laura A. Piper - Squadron Award                                      | 2,235                        |  |                                |                                       |                                  |                                   | 2,235                     |
| Class of '62 - Academy and AOG Projects                              | 24,470                       |  |                                |                                       |                                  |                                   | 24,470                    |
| Robert B. Spear - Men's Basketball Player Award                      | 8,535                        |  |                                |                                       |                                  |                                   | 8,535                     |
| William R. Grace - Maintenance of the Sand Volleyball Court          | 19,241                       | 500  |                                | 500                                   |                                  |                                   | 19,741                    |
| William F. Goodner - Biology Teaching Excellence                     | 9,805                        |  |                                |                                       |                                  |                                   | 9,805                     |
| Pace Weber - Outstanding Men's Lacrosse Player Award                 | 4,900                        |  |                                |                                       |                                  |                                   | 4,900                     |
| Kenneth Thiele - Graduate History Scholarship                        | 13,628                       |  |                                |                                       |                                  |                                   | 13,628                    |
| William Heiser - Senior Faculty Teaching Award                       | 20,000                       |  |                                |                                       |                                  |                                   | 20,000                    |
| Q. C. Snyder - Management Department Support                         | 2,700                        |  |                                |                                       |                                  |                                   | 2,700                     |
| Richard Buschmann - Graduate Dependent Scholarship                   | 10,345                       |  |                                |                                       |                                  |                                   | 10,345                    |
| Class of '74 - Award for Character Development                       | 21,500                       |  |                                |                                       |                                  |                                   | 21,500                    |
| Class of '59 - NCLS Keynote Speaker                                  | 101,000                      |  |                                |                                       |                                  |                                   | 101,000                   |
| Cadet Chapel   | 10,000                       |  |                                |                                       |                                  |                                   | 10,000                    |
| Tober Family - Astronautics Programs                                 | 238,615                      |  |                                |                                       |                                  |                                   | 238,615                   |

(Continued)

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

**SCHEDULE OF PERMANENTLY RESTRICTED FUNDS - RESTRICTED ENDOWMENT  
FOR THE YEAR ENDED JUNE 30, 2017**

|   | <b>Beginning<br/>Balance</b> | <b>Contributions and<br/>Reclassifications</b> | <b>Investment<br/>Earnings</b> | <b>Total<br/>Revenue<br/>(Losses)</b> | <b>Expenses and<br/>Releases</b> | <b>Grants and<br/>Allocations</b> | <b>Ending<br/>Balance</b> |
|---|------------------------------|--|--------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------|
| Peter Brown Endowment                         | 15,000                       |  |                                |                                       |                                  |                                   | 15,000                    |
| Harold Gilbert Character/Leadership Endowment | 124,328                      |  |                                |                                       |                                  |                                   | 124,328                   |
| Building Operations and Maintenance           | 1,787,806                    |  |                                |                                       |                                  |                                   | 1,787,806                 |
| Long Blue Line Endowment                      | 196,711                      | 23,793   |                                | 23,793                                |                                  |                                   | 220,504                   |
|   | <u>\$ 4,024,340</u>          | <u>\$ 25,726</u>                               | <u>\$ -</u>                    | <u>\$ 25,726</u>                      | <u>\$ -</u>                      | <u>\$ -</u>                       | <u>\$ 4,050,066</u>       |

(Concluded)