

**The United States Naval Academy  
Alumni Association, Inc.**

**United States Naval Academy  
Foundation, Inc.**

Consolidated Financial Report  
June 30, 2020

## Contents

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Independent auditor's report	1-2
------------------------------	-----

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Financial statements	
Consolidated statements of financial position	3
Consolidated statements of activities	4-5
Consolidated statements of functional expenses	6-7
Consolidated statements of cash flows	8
Notes to consolidated financial statements	9-27

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Independent auditor's report on the supplementary information	28
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Supplementary information	
The United States Naval Academy Alumni Association, Inc.	
Statements of financial position	29
Statement of activities	30
United States Naval Academy Foundation, Inc.	
Statements of financial position	31
Statement of activities	32

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## Independent Auditor's Report

Board of Trustees  
The United States Naval Academy Alumni Association, Inc.

Board of Directors  
United States Naval Academy Foundation, Inc.

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The United States Naval Academy Alumni Association, Inc. (the Alumni Association) and United States Naval Academy Foundation, Inc. (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Alumni Association and the Foundation as of June 30, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As disclosed in Note 1 to the financial statements, the Alumni Association and the Foundation adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The adoption of this standard resulted in additional footnote disclosures. Our opinion is not modified with respect to these matters.

*RSM US LLP*

Baltimore, Maryland  
October 6, 2020

The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.

Consolidated Statements of Financial Position  
June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 5,839,222	\$ 9,540,442
Accounts receivable and other current assets	789,615	945,234
Contributions receivable, net (Notes 3 and 5)	63,370,548	51,820,549
Investments (Note 5)	296,267,362	281,788,291
Property and equipment, net (Note 7)	6,267,827	6,242,962
Interest in third-party trusts (Note 5)	3,115,258	3,136,877
	<u>3,115,258</u>	<u>3,136,877</u>
<b>Total assets</b>	<b><u>\$ 375,649,832</u></b>	<b><u>\$ 353,474,355</u></b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,064,607	\$ 2,362,612
Deposits on life memberships (Note 8)	577,149	553,842
Class savings accounts	2,627,078	2,771,801
Deferred income and deposits	2,044,042	1,198,732
Split-interest agreements	6,849,058	6,225,047
Accrued key employees' retirement (Note 11)	1,175,629	1,258,884
Unamortized life memberships deferred revenue (Note 8)	17,112,642	16,897,597
	<u>17,112,642</u>	<u>16,897,597</u>
<b>Total liabilities</b>	<b><u>32,450,205</u></b>	<b><u>31,268,515</u></b>
Commitments (Notes 5 and 11)		
Net assets:		
Without donor restrictions (Note 2):		
Operations	14,493,130	15,036,358
Facilities	1,600,000	368,321
Stadium maintenance	29,452	29,452
Operating reserve	3,841,212	3,841,212
Alumni Association sustainability	3,394,503	3,155,735
	<u>23,358,297</u>	<u>22,431,078</u>
With donor restrictions (Notes 12 and 13)	319,841,330	299,774,762
	<u>319,841,330</u>	<u>299,774,762</u>
<b>Total net assets</b>	<b><u>343,199,627</u></b>	<b><u>322,205,840</u></b>
	<u>343,199,627</u>	<u>322,205,840</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 375,649,832</u></b>	<b><u>\$ 353,474,355</u></b>

See notes to consolidated financial statements.

**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Consolidated Statement of Activities  
Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Contributions (Note 6)	\$ 10,431,702	\$ 48,731,433	\$ 59,163,135
Membership dues	139,259	-	139,259
Life member amortization (Note 8)	399,566	-	399,566
Merchandise sales	7,168	-	7,168
Net investment income (Note 4)	1,050,150	10,586,890	11,637,040
Publications and advertising	179,768	-	179,768
House activities	309,092	-	309,092
Career transition services	530,246	-	530,246
Homecoming and conference fees	103,385	-	103,385
Fund administrative fee	2,960,259	-	2,960,259
Royalties	575,222	-	575,222
Travel income	51,566	-	51,566
Other	143,235	-	143,235
Other support:			
Change in value of split-interest agreements	(88,093)	(440,874)	(528,967)
Changes in donors' intent (Note 10)	(111,432)	111,432	-
Net assets released from restrictions (Note 10)	38,922,313	(38,922,313)	-
<b>Total revenue, gains and other support</b>	<b>55,603,406</b>	<b>20,066,568</b>	<b>75,669,974</b>
Expenses:			
Program services:			
Support to the Naval Academy (Note 6)	38,088,747	-	38,088,747
Alumni publications	853,912	-	853,912
Membership support	2,887,909	-	2,887,909
Partnership marketing	138,632	-	138,632
Alumni communications	900,750	-	900,750
Career transitions	592,651	-	592,651
<b>Total program services</b>	<b>43,462,601</b>	<b>-</b>	<b>43,462,601</b>
Supporting services:			
Development	8,994,001	-	8,994,001
General and administrative	2,219,585	-	2,219,585
<b>Total supporting services</b>	<b>11,213,586</b>	<b>-</b>	<b>11,213,586</b>
<b>Total expenses</b>	<b>54,676,187</b>	<b>-</b>	<b>54,676,187</b>
<b>Change in net assets</b>	<b>927,219</b>	<b>20,066,568</b>	<b>20,993,787</b>
Net assets:			
Beginning	22,431,078	299,774,762	322,205,840
Ending	<b>\$ 23,358,297</b>	<b>\$ 319,841,330</b>	<b>\$ 343,199,627</b>

See notes to consolidated financial statements.

**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Consolidated Statement of Activities  
Year Ended June 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, gains and other support:</b>			
Contributions (Note 6)	\$ 10,484,491	\$ 51,573,335	\$ 62,057,826
Membership dues	144,097	-	144,097
Life member amortization (Note 8)	388,513	-	388,513
Merchandise sales	13,241	-	13,241
Net investment income (Note 4)	1,705,695	12,420,754	14,126,449
Publications and advertising	179,507	-	179,507
House activities	367,900	-	367,900
Career transition services	766,907	-	766,907
Homecoming and conference fees	496,423	-	496,423
Fund administrative fee	2,988,500	-	2,988,500
Royalties	668,180	-	668,180
Travel income	186,294	-	186,294
Other	100,682	-	100,682
<b>Other support:</b>			
Change in value of split-interest agreements	(56,930)	83,557	26,627
Changes in donors' intent (Note 10)	276,518	(276,518)	-
Net assets released from restrictions (Note 10)	40,834,822	(40,834,822)	-
<b>Total revenue, gains and other support</b>	<b>59,544,840</b>	<b>22,966,306</b>	<b>82,511,146</b>
<b>Expenses:</b>			
<b>Program services:</b>			
Support to the Naval Academy (Note 6)	37,644,109	-	37,644,109
Alumni publications	945,106	-	945,106
Membership support	3,385,850	-	3,385,850
Partnership marketing	174,621	-	174,621
Alumni communications	872,835	-	872,835
Career transitions	726,926	-	726,926
<b>Total program services</b>	<b>43,749,447</b>	<b>-</b>	<b>43,749,447</b>
<b>Supporting services:</b>			
Development	11,022,100	-	11,022,100
General and administrative	2,020,428	-	2,020,428
<b>Total supporting services</b>	<b>13,042,528</b>	<b>-</b>	<b>13,042,528</b>
<b>Total expenses</b>	<b>56,791,975</b>	<b>-</b>	<b>56,791,975</b>
<b>Change in net assets</b>	<b>2,752,865</b>	<b>22,966,306</b>	<b>25,719,171</b>
<b>Net assets:</b>			
Beginning	19,678,213	276,808,456	296,486,669
Ending	\$ 22,431,078	\$ 299,774,762	\$ 322,205,840

See notes to consolidated financial statements.

**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Consolidated Statement of Functional Expenses  
Year Ended June 30, 2020  
(With Comparative Totals For The Year Ended June 30, 2019)**

	2020										2019 Total
	Program Services						Supporting Services			Total	
	Support to the Naval Academy	Alumni Publications	Membership Support	Partnership Marketing	Alumni Communications	Career Transitions	Development	General and Administrative	Total		
Audit and accounting	\$ -	\$ 4,163	\$ 29,140	\$ 1,388	\$ 9,713	\$ 4,163	\$ 73,695	\$ 31,915	\$ 154,177	\$ 125,008	
Awards and gifts	-	9	14,160	568	446	249	1,869	2,964	20,265	40,461	
Bad debt expense	-	-	-	-	-	-	453,873	-	453,873	1,405,722	
Conferences, conventions and meetings	-	22	19,565	863	208	170,332	78,902	165	270,057	416,576	
Consulting – fundraising	-	-	-	-	-	-	390,240	-	390,240	378,675	
Cost of goods sold	-	-	-	5,799	-	-	-	-	5,799	13,389	
Depreciation (Note 7)	-	13,520	94,643	4,507	31,548	13,520	356,938	103,655	618,331	536,909	
Donor cultivation	-	-	28,312	-	580	-	198,549	23,492	250,933	386,833	
Equipment rental, purchase and maintenance	-	1,097	117,931	366	2,559	1,097	29,000	125,180	277,230	413,709	
Gift in-kind	-	8	4,804	3	18	8	418,501	27,953	451,295	502,480	
Insurance	-	3,627	25,392	1,209	8,464	3,627	53,072	27,810	123,201	144,661	
Legal fees	-	1,649	11,543	550	3,848	2,004	58,561	34,458	112,613	98,780	
Licenses	-	4	2,649	1	9	4	55	207,713	210,435	59,674	
Membership dues	-	149	1,903	50	348	399	6,571	9,417	18,837	17,230	
Occupancy	-	7,020	49,138	2,340	16,379	7,020	130,936	53,818	266,651	314,325	
Miscellaneous	-	366	102,489	1,836	3,271	2,058	65,641	23,880	199,541	148,496	
Postage and shipping	-	181,086	12,159	(26,275)	(7)	2,446	31,225	1,890	202,524	253,870	
Printing and publications	-	306,859	20,646	10,376	19,376	28,530	122,556	19,113	527,456	880,299	
Professional fees	-	26,803	178,091	5,771	97,397	48,773	428,345	469,316	1,254,496	1,553,428	
Contract service fees	-	423	318,507	141	2,862	423	268,759	3,993	595,108	1,093,822	
Salaries	-	253,257	1,448,228	99,085	568,583	238,168	4,665,769	818,367	8,091,457	8,085,773	
Salary benefits (Note 11)	-	50,869	285,060	20,671	114,398	43,450	885,724	159,292	1,559,464	1,509,731	
Supplies	-	838	46,341	3,084	2,160	5,370	91,203	7,495	156,491	150,725	
Telephone	-	1,559	10,913	520	3,638	1,559	21,827	11,953	51,969	47,207	
Training	-	539	5,582	180	11,018	1,715	29,945	34,625	83,604	97,379	
Travel and transportation	-	45	60,713	5,599	3,934	17,736	132,245	21,121	241,393	472,704	
Contributions to USNA	38,088,747	-	-	-	-	-	-	-	38,088,747	37,644,109	
<b>Total expenses</b>	<b>\$ 38,088,747</b>	<b>\$ 853,912</b>	<b>\$ 2,887,909</b>	<b>\$ 138,632</b>	<b>\$ 900,750</b>	<b>\$ 592,651</b>	<b>\$ 8,994,001</b>	<b>\$ 2,219,585</b>	<b>\$ 54,676,187</b>	<b>\$ 56,791,975</b>	

See notes to consolidated financial statements.



The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.

Consolidated Statement of Functional Expenses  
Year Ended June 30, 2019

	2019										
	Program Services					Supporting Services					Total
	Support to the Naval Academy	Alumni Publications	Membership Support	Partnership Marketing	Alumni Communications	Career Transitions	Development	General and Administrative			
Audit and accounting	\$ -	\$ 3,375	\$ 23,627	\$ 1,125	\$ 7,876	\$ 3,375	\$ 59,753	\$ 25,877	\$ -	\$ 125,008	
Awards and gifts	-	-	16,547	1,024	120	727	17,595	4,448	-	40,461	
Bad debt expense	-	-	-	-	-	-	1,405,722	-	-	1,405,722	
Conferences, conventions and meetings	-	91	7,118	73	213	286,380	121,059	1,642	-	416,576	
Consulting – fundraising	-	-	-	-	-	-	378,675	-	-	378,675	
Cost of goods sold	-	-	-	-	-	-	-	-	-	13,389	
Depreciation (Note 7)	-	11,245	78,712	3,748	26,237	11,245	319,513	86,209	-	536,909	
Donor cultivation	-	-	20,100	620	-	-	338,013	28,100	-	386,833	
Equipment rental, purchase and maintenance	-	1,500	217,553	500	4,440	1,500	62,338	125,878	-	413,709	
Gift in-kind	-	57	5,236	19	132	57	449,068	47,911	-	502,480	
Insurance	-	4,277	29,938	1,426	9,979	4,277	61,974	32,790	-	144,661	
Legal fees	-	2,191	15,334	730	5,111	2,191	40,096	33,127	-	98,780	
Licenses	-	4	3,453	1	10	4	59	56,143	-	59,674	
Membership dues	-	116	815	348	1,275	641	11,073	2,962	-	17,230	
Occupancy	-	7,799	54,590	2,600	18,197	7,799	147,425	75,915	-	314,325	
Miscellaneous	-	3,784	21,460	1,013	1,523	3,897	69,845	46,974	-	148,496	
Postage and shipping	-	184,071	3,916	(19,056)	427	3,761	78,654	2,097	-	253,870	
Printing and publications	-	310,796	32,279	14,691	23,987	46,054	427,268	25,224	-	880,299	
Professional fees	-	64,274	151,326	1,892	123,721	25,182	882,808	304,225	-	1,553,428	
Contract service fees	-	432	804,802	159	1,007	447	271,160	15,815	-	1,093,822	
Salaries	-	288,106	1,445,514	107,140	517,998	251,485	4,629,558	845,972	-	8,085,773	
Salary benefits (Note 11)	-	56,464	276,989	19,294	103,271	37,053	850,719	165,941	-	1,509,731	
Supplies	-	1,051	63,848	6,542	3,049	6,773	59,586	9,876	-	150,725	
Telephone	-	4,258	4,534	4,258	4,864	4,258	10,281	14,754	-	47,207	
Training	-	553	3,872	184	12,519	702	38,689	40,860	-	97,379	
Travel and transportation	-	662	104,287	12,901	6,879	29,118	291,169	27,688	-	472,704	
Contributions to USNA	37,644,109	-	-	-	-	-	-	-	-	37,644,109	
<b>Total expenses</b>	<b>\$ 37,644,109</b>	<b>\$ 945,106</b>	<b>\$ 3,385,850</b>	<b>\$ 174,621</b>	<b>\$ 872,835</b>	<b>\$ 726,926</b>	<b>\$ 11,022,100</b>	<b>\$ 2,020,428</b>	<b>\$ -</b>	<b>\$ 56,791,975</b>	

See notes to consolidated financial statements.

**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Consolidated Statements of Cash Flows  
Years Ended June 30, 2020 and 2019**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 20,993,787	\$ 25,719,171
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	618,331	536,909
Gain from sale of assets	(86,047)	-
Change in discount and allowance on contributions receivable	16,949,233	(4,820,439)
Amortization of life memberships	(399,566)	(388,513)
Net realized and unrealized gains on investments	(10,386,834)	(11,549,922)
Split-interest agreements	624,011	3,898
Interest in third-party trusts	21,619	(10,749)
Contributed securities	(10,091,810)	(10,622,985)
Contributions restricted for long-term investment	(41,683,208)	(15,818,737)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable and other current assets	155,619	(17,796)
Contributions receivable	1,905,831	(1,266,121)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(298,005)	500,129
Deposits on life memberships	23,307	(3,372)
Class savings accounts	(144,723)	(86,790)
Deferred income and deposits	845,310	155,333
Accrued key employees' retirement	(83,255)	(164,226)
Unamortized life memberships deferred revenue	614,611	658,091
<b>Net cash used in operating activities</b>	<b>(20,421,789)</b>	<b>(17,176,119)</b>
Cash flows from investing activities:		
Purchases of property and equipment	(1,041,169)	(1,118,651)
Proceeds from sales of assets	484,020	-
Purchase of investments	(127,190,647)	(59,370,616)
Proceeds from sales or maturities of investments	133,190,220	64,272,836
<b>Net cash provided by investing activities</b>	<b>5,442,424</b>	<b>3,783,569</b>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	11,278,145	17,086,807
<b>Net cash provided by financing activities</b>	<b>11,278,145</b>	<b>17,086,807</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(3,701,220)</b>	<b>3,694,257</b>
Cash and cash equivalents:		
Beginning of year	9,540,442	5,846,185
End of year	\$ 5,839,222	\$ 9,540,442
Supplemental schedule of noncash investing and financing activities:		
Contributed securities	\$ 10,091,810	\$ 10,622,985

See notes to consolidated financial statements.

**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 1. Organization and Summary of Significant Accounting Policies**

The consolidated financial statements of The United States Naval Academy Alumni Association, Inc. (the Alumni Association) and the United States Naval Academy Foundation, Inc. (the Foundation) have been prepared on the accrual basis of accounting. The two entities are collectively referred to herein as the Associations. Significant intercompany amounts have been eliminated in consolidation. The significant accounting policies are described below.

**Organization:** The Alumni Association is a not-for-profit, independent, self-supporting corporation of the Naval Academy alumni. First formed in 1886 as the United States Naval Academy Graduates Association, it was organized for educational and charitable purposes in 1931. It is dedicated to serve and support the nation, the naval service, the Naval Academy and its alumni.

The Foundation was established in 1944 as an organization to support Naval Academy athletics and candidates for admission to the Naval Academy. The private giving arm of the Foundation was established in 1968 under the name of the United States Academy Memorial Fund, Inc. (the Memorial Fund).

During 1996, the name of the Memorial Fund was changed to the Naval Academy Associates, Inc. During 1997, the name of the Associates was changed to the Naval Academy Endowment Trust, Inc. (the Endowment Trust). As of December 31, 1999, the Endowment Trust amalgamated with the U.S. Naval Academy Foundation and changed its name to United States Naval Academy Foundation, Inc. The Foundation is a not-for-profit, independent organization created to raise private contributions to benefit the United States Naval Academy, the Brigade of Midshipmen (the Naval Academy) and the Alumni Association. The Alumni Association manages the investment and administrative functions of the Foundation. The Foundation records its share of actual expenses incurred by the Alumni Association for such services.

**Net assets classification:** Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Associations and changes therein are classified and reported as follows:

**Without donor restrictions:** Net assets that are not subject to donor-imposed stipulations. The Associations classify their net assets without donor restrictions into the categories below:

*Operations:* Represents resources that are not board designated and are the result of years of surpluses for support of operations.

*Facilities:* Represents resources that are board designated for facility related acquisitions and maintenance.

*Stadium maintenance:* Represents resources that are board designated for Navy-Marine Corps Memorial Stadium maintenance.

*Operating reserve:* Represents resources that are board designated to sustain operations in the event of an unanticipated significant loss in operating revenue or increase in operating expense.

*Alumni association sustainability:* Represents resources that are board designated to promote self-sufficiency and supplement the operating expenses of the Alumni Association.

**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 1. Organization and Summary of Significant Accounting Policies (Continued)**

**With donor restrictions:** Net assets either subject to donor-imposed stipulations that may or will be met either by actions of the Associations and/or the passage of time or net assets subject to donor-imposed stipulations that the Associations maintain them permanently. Generally, the donors of these assets permit the Associations to use all or a part of the income earned on related investments for general or specific purposes.

**Revenue recognition:** Effective July 1, 2019, the Associations adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* using the modified retrospective method of transition. This ASU replaced existing revenue recognition guidance, including industry specific guidance. The adoption of these ASUs did not materially impact the consolidated financial statements.

**Support and revenue recognition:** Unconditional contributions, including unconditional promises to give (pledges), deemed to be non-exchange transactions, are recognized as support in the year received. Promises to give are reported net of current year adjustments and discounts. Contributions for the benefit of the Naval Academy are recorded as contribution support when received and as support expenses when paid. The Alumni Association recognizes income from life membership dues over the life expectancy of the member at the time he or she becomes a member. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Conditional contributions are those contributions that contain donor imposed rights of refund/return and barriers (performance obligations and/or controlling stipulations). Conditional contributions are recognized into revenue when conditions are satisfied and then follow the above policies for unconditional contributions. Conditional contributions received in advance as of satisfying conditions are recorded as deferred revenue.

**Contributions and investment income:** Contributions and investment income are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed purpose or time restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the consolidated statements of activities (see Note 10).

Contributions with donor-imposed time restrictions are reported as revenues without donor restrictions when those restrictions are met in the same year the contribution is received.

**Functional allocation of expenses:** The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Associations. Development expenses include costs of the fundraising efforts of the Associations. These expenses are allocated consistently based on the ratio of full-time equivalent employees in each program or supporting service.

**Cash and cash equivalents:** Cash equivalents are short-term investments with original maturities of three months or less at the date of purchase, excluding those short-term investments managed by the Associations' investment managers as part of their long-term investment strategies.

**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 1. Organization and Summary of Significant Accounting Policies (Continued)**

**Accounts receivable:** Accounts receivable consists of current amounts due to the Alumni Association for life and corporate membership dues, advertising in *Shipmate* magazine and events held at Alumni House. Accounts receivable are carried at original invoice amount, less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on receivables that are outstanding for more than 30 days. Management has determined that an allowance for doubtful accounts on accounts receivable was not necessary at June 30, 2020 and 2019.

**Contributions receivable:** Contributions are recognized when the donor makes a promise to give to the Associations that is, in substance, unconditional.

Contributions to be received in a future period are discounted to their net present value at the time the support is recorded. The Associations' contributions are discounted at a rate of 5%.

The Associations use the allowance method to determine uncollectible contributions. Management determines the allowance for uncollectible contributions by identifying troubled accounts and by using historical experience applied to an aging of accounts.

**Investments:** The Associations' investments are recorded at fair value determined in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurement or at net asset value (NAV) in accordance with Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*.

Investments are used for operations, class savings accounts, split-interest agreements, board designated life membership funds, support for the Naval Academy and the Associations' endowments. Both entities initially record donated securities at the fair value on the date of the gift. These investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with such investments and the related changes in value, it is at least reasonably possible that changes in risks in the near-term would materially affect investment balances from the amounts reported in the consolidated financial statements.

The Associations' core portfolio largely consists of various mutual and private funds, bonds, hedge funds and private equity funds under a principal investment manager. The multi-asset funds provide exposure to several asset class segments: global stocks, absolute return, high yield bonds, real estate investment trusts (REIT's), commodities, resource-related stocks, inflation linked bonds, conventional bonds and cash equivalents.

**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 1. Organization and Summary of Significant Accounting Policies (Continued)**

**Property and equipment:** Property and equipment is stated at cost, if purchased, or at the fair value at the date of contribution, if donated, less accumulated depreciation. Depreciation of property and equipment and amortization of software are computed using the straight-line method at rates adequate to depreciate and amortize the applicable assets over their expected useful lives as follows:

Buildings and improvements	27-40 years
Furniture and equipment	5-10 years
Computer equipment and software	3-5 years

Leasehold improvements are depreciated in accordance with the remaining life of the asset (5 to 15 years) or lease term, whichever is shorter.

Maintenance and repair expenses are charged against operations. Expenditures for improvements that extend the useful lives of the assets are capitalized.

**Valuation of long-lived assets:** The Associations account for long-lived assets under FASB ASC 360-10-20, Accounting for the Impairment or Disposal of Long-Lived Assets. FASB ASC 360-10-20 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flow expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

**Class savings accounts:** The Alumni Association is the custodian of various class savings accounts. These funds are invested and included in the Alumni Association's investments (\$2,627,078 and \$2,758,494 at June 30, 2020 and 2019, respectively) and cash and cash equivalents (\$0 and \$13,307 at June 30, 2020 and 2019, respectively) but are restricted for use by the Alumni classes on Alumni events. The Alumni Association charges an administrative fee equal to 20% of the interest and realized and unrealized gains earned on each classes' account balance, which is included in investment income in the consolidated statements of activities.

**Deferred income and deposits:** Funds received for an affinity credit card agreement are recognized as royalty revenue over the life of the agreement. The remainder of deferred income and deposits consists of prepaid annual dues. Annual dues are amortized monthly into income over a period of one year.

**Split-interest agreements:** The Associations are the beneficiaries of several split-interest agreements, including charitable remainder unitrusts for which the Associations act as the trustee and charitable gift annuities. Under charitable remainder trust agreements, the donor establishes and funds a trust. As trustee, the Associations make specified distributions to designated beneficiaries over the trust's term. Upon termination of the trust, the Associations receive all or portions of the remaining trust assets as set forth in the trust agreement. Under charitable gift annuity agreements, the Associations pay a fixed annuity amount for the life of the beneficiary(ies) and receive the remaining assets upon the death of the beneficiary(ies) as set forth in the annuity agreements.

**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 1. Organization and Summary of Significant Accounting Policies (Continued)**

In the year of the gift, contribution support is recognized based on the net amount of the assets and liabilities of split-interest agreements. The contribution support recognized under such agreements was \$732,286 and \$252,185 during the years ended June 30, 2020 and 2019, respectively. The fair value of the assets held for all split-interest agreements was \$10,683,577 and \$10,580,507 as of June 30, 2020 and 2019, respectively. The liability to beneficiaries from the life-contingent agreements represents the present value of the estimated future payments based on actuarial assumptions. The liability for fixed term charitable remainder unitrusts is calculated in accordance with FASB ASC 815, Derivatives and Hedging, by summing the present value of the debt host and the fair value of the embedded derivative.

Adjustments to the liability to reflect any changes in actuarial assumptions, amortization of the discount are recognized as change in values in the consolidated statements of activities. The discount rates were determined at the time of initial contribution and range from 1.0% to 8.2%. The estimated life expectancies used for the charitable gift annuity agreements are from the 2012 Individual Annuity Reserving table and the 2000CM tables for all trusts.

**Interest in third-party trusts:** The Associations are the beneficiary of certain third-party trusts held and administered by others. The estimated fair values of the trust assets, which approximate the present values of expected future cash flows from the trust, are recognized as assets and as support when the trusts are established or when reported to the Associations. Subsequent changes to the fair values of the trust assets are recognized as investment income for permanent trusts and change in value for term trusts.

**Fund administrative fees:** Restricted cash gifts are subject to an implementation fee of 5% in the year of receipt of the gift, which helps defray the cost of fundraising and communication. Balances of restricted accounts of funds collected in a prior year are subject to fees for administrative services. Restricted accounts are subject up to a 1.25% fee paid quarterly based on the cash balance at the beginning of the year. The fees are recorded as fund administrative fees in the consolidated statements of activities.

**Income taxes:** The Alumni Association has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) except for taxes on income generated from unrelated business activities, such as the Alumni Travel Program, certain sponsorship income, advertising income from *Shipmate* magazine and certain investment income. The Foundation has also been recognized by the IRS as exempt from federal income taxes under Section 501(c)(3) of the Code.

The Associations have adopted the accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this policy, the Associations may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position. Management has evaluated the Associations' tax positions and has concluded that the Associations have taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with provisions of this guidance.

As of June 30, 2020, there are no material unrecognized/derecognized tax benefits or tax penalties or interest. Generally, the Associations are no longer subject to U.S. federal, state or local tax examinations by tax authorities for years ended before June 30, 2017.

**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 1. Organization and Summary of Significant Accounting Policies (Continued)**

**Credit risk:** At certain times during the year, the Associations have funds on deposit with a financial institution in excess of federally-insured amounts. The Associations have not experienced any losses on cash accounts and management believes they are not exposed to significant credit risk on cash.

**Investment risk:** Investments held are exposed to various risks, such as interest rates, market and credit. Due to the level of risk associated with investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in market conditions, in the near term, would materially affect investment balances and the amounts reported in the financial statements.

**Concentration of risk:** The Associations received approximately 55% of its total contributions from one donor during the year ended June 30, 2020. Approximately 41% of the Associations' gross pledges receivable are related to one donor.

**Use of estimates:** Management of the Associations has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities, and the reporting of revenues and expenses to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

**Development expense:** During the years ended June 30, 2020 and 2019, pledges totaling \$453,873 and \$1,405,772, respectively, were written off by the Associations. The pledges were written off as a result of the change in financial ability of the donors. Bad debt expense is included in development expense in the consolidated statements of activities and reported in the year the pledge becomes uncollectible.

**Accounting pronouncement adopted:** In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional contributions and unconditional contributions. Effective July 1, 2019, the Associations have implemented ASU 2018-08; however, there was no significant impact on the presentation of the consolidated financial statements.

**Accounting pronouncements issued but not yet adopted:** In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU create *Topic 606, Revenue from Contracts with Customers*, and supersede the revenue recognition requirements in *Topic 605, Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In summary, the core principle of *Topic 606* is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective for the Associations for fiscal years beginning July 1, 2020. The impacts of adopting ASU 2014-09 on the Associations' consolidated financial statements for subsequent periods has not yet been determined.



**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 1. Organization and Summary of Significant Accounting Policies (Continued)**

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU is effective for the Associations for annual reporting periods beginning July 1, 2022, with early adoption permitted. The Associations are in the process of evaluating the impact of this ASU on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning July 1, 2020, with early adoption permitted. The Associations are currently evaluating the impact of this new standard on the consolidated financial statements.

**Uncertainties:** On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a “Public Health Emergency of International Concern” and on March 11, 2020 declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, and quarantine in certain areas, and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. It is unknown how long these conditions will last and what the complete financial effect will be on the Associations. The extent of the impact of COVID-19 on the Associations’ operations and financial performance are uncertain and cannot be predicted. Management is continually monitoring the impact of COVID-19.

**Subsequent events:** The Associations have evaluated subsequent events through October 6, 2020, which is the date the consolidated financial statements were available to be issued.

**Note 2. Liquidity and Availability**

The Associations are primarily supported by contributions, membership fees and program fees and revenue. The Associations seek to build and maintain an operating reserve of 25% of their annual operating expense budget. Annually, the Boards may designate a portion of any operating surplus to the operating reserve, which was \$3,841,212 for the years ended June 30, 2020 and 2019. The operating reserve is held in short-term investments that are not subject to the volatility of the equity markets.

**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Notes to Consolidated Financial Statements**

**Note 2. Liquidity and Availability (Continued)**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, are comprised of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 5,839,222	\$ 9,540,442
Accounts receivable	246,672	634,454
Contributions due within one year without donor restrictions	2,890,864	1,271,975
Endowment appropriations available for general expenditures within one year	217,159	207,736
Investments	<u>28,946,346</u>	<u>23,506,023</u>
Total financial assets	38,140,263	35,160,630
Less board designated funds for:		
Facilities	(1,600,000)	(368,321)
Stadium maintenance	(29,452)	(29,452)
Operating reserve	(3,841,212)	(3,841,212)
Alumni Association sustainability	<u>(3,394,503)</u>	<u>(3,155,735)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 29,275,096</u>	<u>\$ 27,765,910</u>

Endowment funds consist of donor-restricted endowments that are restricted for supporting the U.S. Naval Academy, athletics and scholarships and for the Associations' operations. Income from donor-restricted endowments that are restricted for a specific purpose other than the Associations' operations is not available for general expenditure. Appropriations of \$217,159 and \$207,736 from the Associations' operations endowment are available within the next year as of June 30, 2020 and 2019, respectively.

**Note 3. Contributions Receivable**

Contributions receivable at June 30, 2020 and 2019, are summarized as follows:

	<u>2020</u>	<u>2019</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 15,344,062	\$ 18,778,051
One year to five years	24,544,974	28,145,185
More than five years	<u>56,708,840</u>	<u>21,175,408</u>
	96,597,876	68,098,644
Less allowance for uncollectible amounts	(2,932,587)	(2,124,274)
Less discount to present value (5%)	<u>(30,294,741)</u>	<u>(14,153,821)</u>
	<u>\$ 63,370,548</u>	<u>\$ 51,820,549</u>

**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Notes to Consolidated Financial Statements**

**Note 4. Net Investment Income**

Net investment income for the years ended June 30, 2020 and 2019, is as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 266,232	\$ 1,188,399	\$ 1,454,631
Net realized and unrealized gains	847,609	9,539,225	10,386,834
Less management fees	(63,691)	(140,734)	(204,425)
Net investment income	<u>\$ 1,050,150</u>	<u>\$ 10,586,890</u>	<u>\$ 11,637,040</u>

  

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 416,805	\$ 2,419,652	\$ 2,836,457
Net realized and unrealized gains	1,361,455	10,188,467	11,549,922
Less management fees	(72,565)	(187,365)	(259,930)
Net investment income	<u>\$ 1,705,695</u>	<u>\$ 12,420,754</u>	<u>\$ 14,126,449</u>

**Note 5. Investments and Fair Value Measurements**

Accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and sets out a fair value hierarchy.

Observable inputs reflect market data obtained from independent sources. Unobservable inputs reflect assumptions based on the best information available under the circumstances. The Associations' investment managers and staff use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Certain alternative investments are carried at estimated fair value as of March 31 and adjusted for cash receipts, cash distributions and security distributions through June 30.

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the Associations have the ability to access at the measurement date. The type of investments classified as Level 1 includes listed equities and listed derivatives. As required by the guidance, the Associations do not adjust the quoted price for these investments even in situations where the Associations holds a large position and a sale could reasonably impact the quoted price.

**Level 2:** Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities, hedge funds and certain over-the-counter derivatives.

**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Notes to Consolidated Financial Statements**

**Note 5. Investments and Fair Value Measurements (Continued)**

**Level 3:** Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies and general and limited partnership interests in corporate private equity and real estate funds, debt funds and distressed debt.

The following tables set forth the fair value hierarchy for those assets measured and reported at fair value on a recurring basis in the consolidated statements of financial position at June 30, 2020 and 2019, respectively:

	2020			
	Total	Level 1	Level 2	Level 3
Government bonds	\$ 11,999,848	\$ -	\$ 11,999,848	\$ -
Corporate bonds	130,508	-	130,508	-
Equity securities	230,950	230,950	-	-
Domestic equity funds	5,190,955	5,190,955	-	-
International equity funds	1,383,718	1,383,718	-	-
World equity funds	51,254	51,254	-	-
Emerging equity funds	518,820	518,820	-	-
Government bond funds	5,225,729	5,225,729	-	-
Corporate bond funds	3,106,768	3,106,768	-	-
Corporate and government bond funds	703,269	703,269	-	-
Multi-asset funds	25,544,980	25,544,980	-	-
Equity and fixed income funds	296,264	296,264	-	-
Other – commodities, convertibles and sector funds	44,756	44,756	-	-
	<u>54,427,819</u>	<u>\$ 42,297,463</u>	<u>\$ 12,130,356</u>	<u>\$ -</u>
Cash and cash equivalents (within investments)	49,877,583			
Charitable life insurance policies at cash surrender value	4,892,878			
Share certificates (b)	19,930,776			
Private multi-asset fund (a)	76,800,175			
Private equity funds (a)	37,459,902			
Private realty and resources funds (a)	3,318,493			
Hedge funds (a)	49,559,736			
Total investments	<u>\$ 296,267,362</u>			
Interest in third-party trusts	\$ 3,115,258	\$ -	\$ -	\$ 3,115,258
Interest in charitable remainder unitrusts with third-party trustees	3,113,887	-	-	3,113,887
Total interest with third parties at fair value	<u>\$ 6,229,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,229,145</u>

**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Notes to Consolidated Financial Statements**

**Note 5. Investments and Fair Value Measurements (Continued)**

	2019			
	Total	Level 1	Level 2	Level 3
Government bonds	\$ 11,546,285	\$ -	\$ 11,546,285	\$ -
Corporate bonds	165,512	-	165,512	-
Equity securities	62,650	-	-	62,650
Domestic equity funds	5,019,496	5,019,496	-	-
International equity funds	1,642,538	1,642,538	-	-
World equity funds	290,630	290,630	-	-
Emerging equity funds	543,369	543,369	-	-
Government bond funds	2,642,540	2,642,540	-	-
Corporate bond funds	2,945,146	2,945,146	-	-
Corporate and government bond funds	672,471	672,471	-	-
Multi-asset funds	25,688,607	25,688,607	-	-
Equity and fixed income funds	323,618	323,618	-	-
Other – commodities, convertibles and sector funds	41,440	41,440	-	-
	<u>51,584,302</u>	<u>\$ 39,809,855</u>	<u>\$ 11,711,797</u>	<u>\$ 62,650</u>
Cash and cash equivalents (within investments)	14,524,339			
Charitable life insurance policies at cash surrender value	4,876,869			
Share certificates (b)	40,744,874			
Private multi-asset fund (a)	74,748,467			
Private equity funds (a)	42,129,263			
Private realty and resources funds (a)	4,210,538			
Hedge funds (a)	48,969,639			
Total investments	<u>\$ 281,788,291</u>			
Interest in third-party trusts	\$ 3,136,877	\$ -	\$ -	\$ 3,136,877
Interest in charitable remainder unitrusts with third-party trustees	5,789,543	-	-	5,789,543
Total interest with third parties at fair value	<u>\$ 8,926,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,926,420</u>

(a) In accordance with the Fair Value Measurements topic, certain investments that were measured at NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

(b) These represent funds held at cash value within investments.

Interest in charitable remainder unitrusts with third-party trustees have been included on the consolidated statements of financial position within contributions receivable.

**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Notes to Consolidated Financial Statements**

**Note 5. Investments and Fair Value Measurements (Continued)**

The following is a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable inputs (Level 3):

	Private Stock	Interest in Third-Party Trusts	Interest in Charitable Remainder Unitrusts With Third-Party Trustees	Total
Balance, June 30, 2018	\$ 62,650	\$ 3,126,128	\$ 5,628,830	\$ 8,817,608
Realized gains	-	111,525	-	111,525
Distributions	-	(111,525)	-	(111,525)
Unrealized gains	-	10,749	-	10,749
Change in value	-	-	160,713	160,713
Balance, June 30, 2019	62,650	3,136,877	5,789,543	8,989,070
Realized gains (losses), net	(62,650)	106,096	-	43,446
Distributions	-	(106,096)	(2,508,149)	(2,614,245)
Unrealized losses	-	(21,619)	-	(21,619)
Change in value	-	-	(167,507)	(167,507)
Balance, June 30, 2020	\$ -	\$ 3,115,258	\$ 3,113,887	\$ 6,229,145
Unrealized losses and change in value relating to assets still held as of June 30, 2020	\$ -	\$ (21,619)	\$ (167,507)	\$ (189,126)

The Associations categorize assets within the fair value hierarchy based on their understanding of the valuation process used by their investment managers or general partners to derive the fair value and their judgment regarding the observability of the related inputs. In evaluating the observability of such inputs, the Associations' staff considered factors such as the extent of market benchmarks available and the judgments or modeling required in the valuation process.

**Private stock:** The Associations were gifted shares of private stock. The stock is valued based upon an independent appraisal of the company's common shares done using both a market value and income approach at the time the gift was made during the fiscal year ended June 30, 2015. Based on the company's failing business model and going concern issues, the Associations made the decision to write off this investment during the fiscal year ending June 30, 2020.

**Private equity funds:** Substantially all of the Associations' investments in private equity funds represent interests in multiple funds of funds private equity investment vehicles managed by the Associations' principal investment manager and another designated investment manager. The investment funds typically pursue such strategies as investments in venture capital, buyouts, subordinated debt, restructuring and distressed debt and securities, recapitalizations and other situations. The investments in these funds of funds private equity investment vehicles are presented in the accompanying consolidated financial statements at NAV based on an amount equal to the Associations' pro rata interest in the net assets, which are valued at NAV consistent with the measurement principles in FASB ASC Topic 946, Financial Services – Investment Companies, of such funds of funds as reported by the principal investment manager.

The private equity vehicles have terms ranging from 12 to 15 years with respective expiration dates from 2021 to 2031. The investment managers have three to five consecutive one-year extensions at their discretion. Interests in these vehicles are subject to significant restrictions on transferability.

**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 5. Investments and Fair Value Measurements (Continued)**

Under the terms of these private equity investment contracts, the Associations are obligated to remit additional funding periodically as capital calls are exercised. At June 30, 2020, the Associations had uncalled commitments of \$28,984,080, which represents 34% of the original commitments. The Associations expect the remaining commitments to be called over the next several years.

**Private realty and resources funds:** Substantially all of the investments in private realty and resources funds are through fund of funds private realty and resources investment vehicles managed by the Associations' principal investment manager. The investment funds typically pursue such strategies as investments in commercial and residential real estate, oil and natural gas exploration and production, timberland, and other natural resources. The valuation for underlying investments within each fund is determined in the same manner as private equity funds.

The invested private realty and resources vehicles have terms ranging from 13 to 15 years with respective expiration dates from 2021 to 2028. The investment manager has up to seven consecutive one-year extensions at their discretion. Interests in these vehicles are subject to significant restrictions on transferability.

The remaining commitments under the terms of the private realty and resources funds amounted to \$1,699,899 as of June 30, 2020, representing 15% of the original commitments. The Associations expect the remaining commitments to be exercised over the next several years.

**Private multi-asset fund:** The Associations have invested in a fund of funds private multi-asset partnership managed by the Associations' principal investment manager. The partnership pursues a diversified portfolio principally through investments in equity and debt securities and hedge funds with the objective over a majority of market cycles of exceeding inflation as measured by the Consumer Price Index, plus 5% per annum. The partnership has no set termination date. The partnership allows the Associations to withdraw any and all capital with at least 65 days written notice, effective as of the last day of a calendar quarter. The partnership also allows the Associations to elect to take annual periodic partial redemptions of 4%, 5% or 6%.

**Hedge funds:** The Associations invest in hedge funds through fund of funds vehicles managed by the Associations' principal investment manager. For the year ended June 30, 2019 and prior, the fund of funds vehicles used were offshore funds. During the year ended June 30, 2020, the offshore fund vehicles were replaced with fund of funds domestic private partnership vehicles. These investment vehicles employ directly, or through other managers, in the following strategies: Capital structure arbitrage, event arbitrage, fixed income arbitrage, hedged equity investing, special situations investing and possibly derivative investments, as well as buying and selling securities for hedging purposes. Valuation of interests in underlying investment funds is based on an amount equal to the vehicle's pro rata interest in the net assets, which are at fair value as reported by the management of the investment fund monthly as adjusted for manager and incentive fees, if applicable.

The partnership has no set termination date. The partnership allows the Associations to withdraw any and all capital with at least 65 days written notice, effective the last day of a calendar quarter. The partnership also allows the Associations to elect to take annual periodic partial redemptions of 4%, 5% or 6%. The Associations perform due diligence procedures to review the valuations of the alternative investments described above.

**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 5. Investments and Fair Value Measurements (Continued)**

**Interest in third-party trusts and interest in charitable remainder unitrusts with third-party trustees:** The Associations' staff estimates their beneficial interest in the third-party trusts using the discounted cash flow method of the expected future income for a specified term or in perpetuity based on the donors' life expectancy and the expected investment return.

**Note 6. In-Kind Contributions**

The Foundation contributes the use of its houses to the Naval Academy Athletic Association, which are valued at an annual amount of \$306,550 in both 2020 and 2019. Contributed services related to property management of the Foundation's houses are donated by the Naval Academy Athletic Association and are valued at an annual amount of \$545,969 and \$142,500 in 2020 and 2019, respectively.

During 2020 and 2019, the Associations received noncash (excluding stock donations) donations of \$4,492,133 and \$3,730,471, respectively, which included assets for use by the Naval Academy. The portion of the noncash donations transferred to the Naval Academy have been shown as contributions with donor restrictions and support to the Naval Academy (program expense) in the accompanying consolidated statements of activities.

**Note 7. Property and Equipment**

Property and equipment at June 30, 2020 and 2019, is summarized as follows:

	2020	2019
Land	\$ 753,197	\$ 753,197
Buildings and improvements	8,890,150	8,904,672
Furniture and equipment	1,426,712	1,418,757
Computer equipment and software	1,654,916	1,534,570
Leasehold improvements	601,873	601,873
Construction in process	658,131	249,513
	<u>13,984,979</u>	<u>13,462,582</u>
Less accumulated depreciation and amortization	<u>(7,717,152)</u>	<u>(7,219,620)</u>
	<u>\$ 6,267,827</u>	<u>\$ 6,242,962</u>

Depreciation expense was \$618,331 and \$536,909 for the years ended June 30, 2020 and 2019, respectively.



**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 8. Life Memberships**

In 1976, the Alumni Association started its life membership program, which enables midshipmen to pay a specified life membership fee prior to graduation. In exchange for this fee, members receive a subscription to *Shipmate* magazine and various other service benefits and opportunities. The Alumni Association records the midshipmen's fees as deposits on life memberships until the respective class graduation. At June 30, 2020 and 2019, the Alumni Association held \$577,149 and \$553,842, respectively, of midshipmen life membership deposits. After graduation, the fees are reclassified as unamortized life membership deferred revenue and are amortized over an assumed 61-year remaining life expectancy of the graduating midshipmen. During the years ended June 30, 2020 and 2019, \$564,768 and \$585,161, respectively, relating to the graduating classes of 2020 and 2019, were reclassified as unamortized life memberships deferred revenue. Payments from alumni who join the life membership program after graduation are recorded as unamortized life memberships and amortized over an assumed remaining life expectancy of 55 years.

The unamortized life memberships deferred revenue represents the deferred revenue from life membership cash receipts rather than the liability to service the life members over their life expectancies.

**Note 9. Notes Payable and Revolving Line of Credit**

The Associations had an operating line of credit with a maximum limit of \$5,000,000 with an interest rate based on the 30-day London Interbank Offered Rate (LIBOR) index rate, plus 1.1%. On December 17, 2018, the Associations renewed and amended the note to a maximum limit of \$15,000,000 with a new expiration date of December 17, 2022. Principal is due in full at maturity and interest is based on the 30-day LIBOR index, plus 0.75% (0.92% as of June 30, 2020). No draws were made during the fiscal years ended June 30, 2020 and 2019, and no balance is outstanding as of June 30, 2020 and 2019.

On May 28, 2020, the Associations obtained an additional operating line of credit with a maximum limit of \$15,000,000 with an expiration date of December 17, 2022. Principal is due in full at maturity and interest is based on the 30-day LIBOR index rate plus 1.89% (2.06% as of June 30, 2020) with a minimum interest rate of 2.64% per annum. An unused fee of 0.20% per annum based on the average daily amount of unused amount of the note is payable quarterly. No draws were made during the fiscal year and no balance is outstanding as of June 30, 2020.

**Note 10. Net Assets Released From Restrictions and Changes in Donors' Intent**

Net assets of \$38,922,313 and \$40,834,822 for the years ended June 30, 2020 and 2019, respectively, were released from donor restrictions due to the passage of time or by incurring expenses satisfying the restricted purpose specified by the donors. Amounts shown as changes in donors' intent for the year ended June 30, 2020, represent reclassifications of \$111,432 from net assets without donor restrictions to net assets with donor restrictions. Amounts shown as changes in donors' intent for the year ended June 30, 2019, represent reclassifications of \$276,518 to net assets without donor restrictions from net assets with donor restrictions.

**Note 11. Retirement Plans**

**403(b) savings plan:** The Alumni Association maintains a deferred annuity retirement plan under Section 403(b) of the Code for all eligible employees. On a discretionary basis, the Alumni Association matches employees' contributions up to 5% of base salary. An independent trustee holds the assets of the Plan. During the years ended June 30, 2020 and 2019, the Alumni Association made contributions of \$307,609 and \$300,187, respectively, on behalf of its eligible employees.

**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Notes to Consolidated Financial Statements**

**Note 11. Retirement Plans (Continued)**

**457 plans:** The Alumni Association has agreements with six key employees and former employees to provide certain retirement and other payments to them as part of retention planning. These non-qualified plans are administered under Sections 457(b), e(11) and (f) of the Code. The payments are either deferred or contingent on the employee meeting certain conditions. Total retirement expense under this plan for each of the years ended June 30, 2020 and 2019, was \$131,432 and \$154,676, respectively.

At June 30, 2020 and 2019, the Alumni Association's liability for these plans was \$1,175,629 and \$1,258,884, respectively. The respective balances are offset with funds held in investments.

**Note 12. Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

	2020	2019
Subject to expenditure for specific purpose or period:		
Academic	\$ 39,609,659	\$ 38,289,777
Admissions	8,856,607	9,598,431
Athletics and scholarships	44,032,956	50,513,218
Character (ethics)	15,484,407	16,533,021
Leadership	13,398,864	12,837,411
Support to the Naval Academy not yet assigned to a center of excellence	75,871,972	70,148,816
	<u>197,254,465</u>	<u>197,920,674</u>
Time restricted assets	2,317,139	7,289,443
	<u>199,571,604</u>	<u>205,210,117</u>
Subject to the Associations' spending policy and appropriation:		
Investment in perpetuity (including amounts above original gift amounts of \$85,572,481 and \$62,123,172, respectively), the income from which is expendable to support:		
Academics	49,329,937	48,353,260
Athletics and scholarships	12,596,346	12,249,426
Character (ethics)	7,865,916	7,746,930
Leadership	3,103,389	3,070,502
U.S. Naval Academy	41,745,711	17,600,463
Operations	5,628,427	5,544,064
Total donor restricted endowments	<u>120,269,726</u>	<u>94,564,645</u>
Total net assets with donor restrictions	<u>\$ 319,841,330</u>	<u>\$ 299,774,762</u>

**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 13. Endowment Funds**

FASB ASC 958-205, Endowments for Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and the Enhanced Disclosures for All Endowment Funds, provides guidance on net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC 958-205 also improves disclosures about an organization's endowed funds (both donor-restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA. The Associations have added the required disclosures in the consolidated financial statements, which is a requirement for any organization with endowment funds.

The Associations' endowment consists of over 100 individual funds established for a variety of purposes. These endowment funds are donor restricted. The Associations do not have any board designated endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of relevant law:** The Board of Trustees of the Association and the Board of Directors of the Foundation have 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 Associations classify as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) 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 fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Associations in a manner consistent with the standard of prudence prescribed by UPMIFA. Accordingly, the Associations consider 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 Associations and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Associations
- (7) The investment policies of the Associations

**Return objectives and risk parameters:** The Associations' return objective is to preserve and enhance the purchasing power of the endowment investments over time, net of costs and withdrawals. This goal is synonymous with the pursuit of time-weighted net return on the investments that equals or exceeds inflation (as measured by the Consumer Price Index), plus spending from the investments. To satisfy this return objective, the Associations utilize a multi-asset class diversified portfolio that relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Associations are prepared to incur risks consistent with the pursuit of the return objective. Risk will be measured based on both an absolute and a relative basis. Absolute metrics relate to declines in the inflation-adjusted market value of the portfolio. On a relative basis, the portfolio will be measured against portfolios of similar size and composition.

**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 13. Endowment Funds (Continued)**

**Endowment spending policy:** The Associations operate a spending policy to regulate the use of proceeds from endowment investments. The policy provides for the spending of up to 5% of the 12-quarter moving average of the market value of pooled investment funds. The policy further states that when the average investment return of the most recent four quarters is negative, the spending rate will be reduced to 4%. The reduced spending rate of 4% was implemented during 2003 following an extended period of below-average investment performance and has continued through fiscal year 2020.

Changes in endowed net assets for the fiscal years ended June 30, 2020 and 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2018	\$ -	\$ 92,390,326	\$ 92,390,326
Interest, dividends and realized gains – net of investment expenses	-	1,695,548	1,695,548
Net appreciation	-	3,442,990	3,442,990
Change in value	-	3,896	3,896
Contributions	-	119,593	119,593
Change in donor intent	-	(619)	(619)
Distributions	-	(3,087,089)	(3,087,089)
Endowment net assets, June 30, 2019	-	94,564,645	94,564,645
Interest, dividends and realized gains – net of investment expenses	-	7,599,947	7,599,947
Net depreciation	-	(3,276,706)	(3,276,706)
Change in value	-	17,129	17,129
Contributions	-	23,553,973	23,553,973
Change in donor intent	-	(181,000)	(181,000)
Distributions	-	(2,008,262)	(2,008,262)
Endowment net assets, June 30, 2020	\$ -	\$ 120,269,726	\$ 120,269,726

**The United States Naval Academy Alumni Association, Inc.  
United States Naval Academy Foundation, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 14. Lease**

On November 20, 2018, the Associations signed a lease for the period September 1, 2019 through August 31, 2069. Rent for the lease amounts to \$146,500 in the first year with an annual escalation of 2%. In lieu of cash payment, the lease allows the use of all support to the Naval Academy to satisfy the annual rental requirement.

Future minimum ground lease commitments under the lease at June 30, 2020, are as follows:

Years ending June 30:

2021	\$ 148,701
2022	151,677
2023	154,710
2024	157,803
2025	160,956
Thereafter	<u>11,507,277</u>
	<u>\$ 12,281,124</u>



RSM US LLP

## Independent Auditor's Report on the Supplementary Information

Board of Trustees  
The United States Naval Academy Alumni Association, Inc.

Board of Directors  
United States Naval Academy Foundation, Inc.

We have audited the consolidated financial statements of The United States Naval Academy Alumni Association, Inc. and United States Naval Academy Foundation, Inc. as of and for the years ended June 30, 2020 and 2019, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

*RSM US LLP*

Baltimore, Maryland  
October 6, 2020

The United States Naval Academy Alumni Association, Inc.

Statements of Financial Position  
June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 1,033,138	\$ 2,643,302
Accounts receivable and other current assets	675,291	694,607
Contributions receivable, net	3,375,450	4,995,475
Investments	95,043,467	83,934,806
Property and equipment, net	3,727,236	3,151,138
Intercompany receivables	1,818,928	3,308,152
	<u>1,818,928</u>	<u>3,308,152</u>
<b>Total assets</b>	<b>\$ 105,673,510</b>	<b>\$ 98,727,480</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,893,382	\$ 1,887,004
Deposits on life memberships	577,149	553,842
Class savings accounts	2,627,078	2,771,801
Deferred income and deposits	759,042	742,065
Split-interest agreements	593,272	699,434
Accrued key employees' retirement	1,175,629	1,258,884
Unamortized life memberships deferred revenue	17,112,642	16,897,597
	<u>17,112,642</u>	<u>16,897,597</u>
<b>Total liabilities</b>	<b>24,738,194</b>	<b>24,810,627</b>
Net assets:		
Without donor restrictions:		
Operations	899,535	1,627,920
Facilities	1,600,000	368,321
Stadium maintenance	29,452	29,452
Operating reserve	1,883,757	1,883,757
Alumni Association sustainability	3,394,503	3,155,735
	<u>7,807,247</u>	<u>7,065,185</u>
With donor restrictions	73,128,069	66,851,668
	<u>73,128,069</u>	<u>66,851,668</u>
<b>Total net assets</b>	<b>80,935,316</b>	<b>73,916,853</b>
	<u>80,935,316</u>	<u>73,916,853</u>
<b>Total liabilities and net assets</b>	<b>\$ 105,673,510</b>	<b>\$ 98,727,480</b>
	<u>\$ 105,673,510</u>	<u>\$ 98,727,480</u>

See notes to consolidated financial statements.

The United States Naval Academy Alumni Association, Inc.

Statement of Activities  
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Contributions	\$ 1,027,271	\$ 5,648,919	\$ 6,676,190
Membership dues	139,259	-	139,259
Life member amortization	399,566	-	399,566
Merchandise sales	7,168	-	7,168
Net investment income	767,427	2,384,044	3,151,471
Publications and advertising	179,768	-	179,768
House activities	309,092	-	309,092
Intercompany support	2,057,357	-	2,057,357
Career transition services	530,246	-	530,246
Homecoming and conference fees	103,385	-	103,385
Royalties	575,222	-	575,222
Travel income	51,566	-	51,566
Other	(377)	-	(377)
Other support:			
Change in value of split-interest agreements	(8,378)	(12,005)	(20,383)
Changes in donors' intent	1,338,460	629,978	1,968,438
Net assets released from restrictions	2,374,535	(2,374,535)	-
<b>Total revenue, gains and other support</b>	<b>9,851,567</b>	<b>6,276,401</b>	<b>16,127,968</b>
Expenses:			
Support to the Naval Academy	2,149,892	-	2,149,892
Audit and accounting	69,391	-	69,391
Awards and gifts	17,831	-	17,831
Bad debt expense	8,820	-	8,820
Conferences	191,456	-	191,456
Cost of goods	5,799	-	5,799
Cultivation	40,866	-	40,866
Depreciation	252,119	-	252,119
Equipment rental	255,482	-	255,482
Insurance	81,443	-	81,443
Legal fees	60,715	-	60,715
Licenses	210,435	-	210,435
Membership dues	6,784	-	6,784
Miscellaneous	157,507	-	157,507
Occupancy	154,530	-	154,530
Postage and shipping	170,492	-	170,492
Printing and publications	406,153	-	406,153
Professional and contract services	1,328,889	-	1,328,889
Salaries and benefits	3,626,092	-	3,626,092
Shared information management	(354,193)	-	(354,193)
Supplies	65,827	-	65,827
Telephone	51,949	-	51,949
Training	59,489	-	59,489
Travel and transportation	91,737	-	91,737
<b>Total expenses</b>	<b>9,109,505</b>	<b>-</b>	<b>9,109,505</b>
<b>Change in net assets</b>	<b>742,062</b>	<b>6,276,401</b>	<b>7,018,463</b>
Net assets at beginning of year	7,065,185	66,851,668	73,916,853
Net assets end of year	\$ 7,807,247	\$ 73,128,069	\$ 80,935,316

See notes to consolidated financial statements.



United States Naval Academy Foundation, Inc.

Statements of Financial Position  
June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 4,806,084	\$ 6,897,140
Accounts receivable and other current assets	114,324	250,627
Contributions receivable, net	59,995,098	46,825,074
Investments	201,223,895	197,853,485
Property and equipment, net	2,540,591	3,091,824
Interest in third-party trusts	3,115,258	3,136,877
	<u>271,795,250</u>	<u>258,055,027</u>
<b>Total assets</b>	<b>\$ 271,795,250</b>	<b>\$ 258,055,027</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 171,225	\$ 475,608
Deferred income	1,285,000	456,667
Split-interest agreements	6,255,786	5,525,613
Intercompany payables	1,818,928	3,308,152
<b>Total liabilities</b>	<u>9,530,939</u>	<u>9,766,040</u>
Net assets:		
Without donor restrictions:		
Operations	17,376,154	17,723,286
Operating reserve	1,957,455	1,957,455
	<u>19,333,609</u>	<u>19,680,741</u>
With donor restrictions	242,930,702	228,608,246
<b>Total net assets</b>	<u>262,264,311</u>	<u>248,288,987</u>
	<u>271,795,250</u>	<u>258,055,027</u>
<b>Total liabilities and net assets</b>	<b>\$ 271,795,250</b>	<b>\$ 258,055,027</b>

See notes to consolidated financial statements.

United States Naval Academy Foundation, Inc.

Statement of Activities  
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Contributions	\$ 10,101,742	\$ 42,385,203	\$ 52,486,945
Fund administrative fee	2,960,259	-	2,960,259
Net investment income	301,818	8,183,751	8,485,569
Intercompany support	(2,057,357)	-	(2,057,357)
Other	109,366	34,246	143,612
Other support:			
Change in value of split-interest agreements	(59,527)	(449,057)	(508,584)
Changes in donors' intent	(1,453,601)	(514,837)	(1,968,438)
Net assets released from restrictions	35,316,850	(35,316,850)	-
<b>Total revenue, gains and other support</b>	<b>45,219,550</b>	<b>14,322,456</b>	<b>59,542,006</b>
Expenses:			
Support to the Naval Academy	35,938,855	-	35,938,855
Audit and accounting	84,786	-	84,786
Awards and gifts	2,434	-	2,434
Bad debt expense	445,053	-	445,053
Conferences	78,601	-	78,601
Consulting – advantage	390,240	-	390,240
Depreciation	366,212	-	366,212
Donor cultivation	210,067	-	210,067
Equipment rental	21,748	-	21,748
Insurance	41,758	-	41,758
Legal fees	51,898	-	51,898
Membership dues	12,053	-	12,053
Miscellaneous	493,329	-	493,329
Occupancy	112,121	-	112,121
Postage and shipping	32,032	-	32,032
Printing and publications	121,303	-	121,303
Professional and contract services	520,715	-	520,715
Salaries and benefits	6,024,829	-	6,024,829
Shared information management	354,193	-	354,193
Supplies	90,664	-	90,664
Telephone	20	-	20
Training	24,115	-	24,115
Travel and transportation	149,656	-	149,656
<b>Total expenses</b>	<b>45,566,682</b>	<b>-</b>	<b>45,566,682</b>
<b>Change in net assets</b>	<b>(347,132)</b>	<b>14,322,456</b>	<b>13,975,324</b>
Net assets at beginning of year	19,680,741	228,608,246	248,288,987
Net assets end of year	\$ 19,333,609	\$ 242,930,702	\$ 262,264,311

See notes to consolidated financial statements.