

Financial Statements and Report of
Independent Certified Public
Accountants

The AOPA Foundation, Inc.

December 31, 2023 and 2022

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
The AOPA Foundation, Inc.

Opinion

We have audited the financial statements of The AOPA Foundation, Inc. (a Maryland corporation) (the "Foundation"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

In performing an audit in accordance with US GAAS, we:

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

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

Grant Thornton LLP

Arlington, Virginia
April 16, 2024

The AOPA Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,743,000	\$ 4,604,000
Contribution receivables, net	2,190,000	1,502,000
Prepaid expenses	317,000	448,000
	<u>7,250,000</u>	<u>6,554,000</u>
Long-term assets		
Contribution receivables, net	477,000	1,071,000
Investments, at fair value	44,739,000	37,917,000
Property and equipment, net	78,000	23,000
Other assets - charitable gift annuities	<u>281,000</u>	<u>295,000</u>
Total assets	<u>\$ 52,825,000</u>	<u>\$ 45,860,000</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 582,000	\$ 865,000
Accrued expenses	345,000	601,000
	<u>927,000</u>	<u>1,466,000</u>
Long-term obligations - charitable gift annuities	<u>281,000</u>	<u>295,000</u>
Total liabilities	1,208,000	1,761,000
Net assets		
Without donor restrictions	21,126,000	16,419,000
With donor restrictions	<u>30,491,000</u>	<u>27,680,000</u>
Total net assets	<u>51,617,000</u>	<u>44,099,000</u>
Total liabilities and net assets	<u>\$ 52,825,000</u>	<u>\$ 45,860,000</u>

The accompanying notes are an integral part of these financial statements.

The AOPA Foundation, Inc.

STATEMENTS OF ACTIVITIES

Years ended December 31,

	<u>2023</u>	<u>2022</u>
Revenue		
Contributions	\$ 1,394,000	\$ 2,044,000
Net assets released from restrictions	6,635,000	4,260,000
Registration & exhibitor income	231,000	238,000
Other income	<u>308,000</u>	<u>200,000</u>
	8,568,000	6,742,000
Expenses		
Program services		
Education	8,898,000	8,777,000
Supporting services		
Fundraising	588,000	591,000
General and administrative	<u>613,000</u>	<u>484,000</u>
	<u>10,099,000</u>	<u>9,852,000</u>
Change in net assets without donor restrictions from operating activities	(1,531,000)	(3,110,000)
Non-operating activity		
Return on investments, net	<u>6,238,000</u>	<u>(6,105,000)</u>
Change in net assets without donor restrictions	4,707,000	(9,215,000)
Net assets with donor restrictions		
Contributions	9,446,000	9,326,000
Net assets released from restrictions	<u>(6,635,000)</u>	<u>(4,260,000)</u>
Change in net assets with donor restrictions	<u>2,811,000</u>	<u>5,066,000</u>
CHANGE IN NET ASSETS	7,518,000	(4,149,000)
Net assets, beginning of year	<u>44,099,000</u>	<u>48,248,000</u>
Net assets, end of year	<u>\$ 51,617,000</u>	<u>\$ 44,099,000</u>

The accompanying notes are an integral part of these financial statements.

The AOPA Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2023

	Program Services		Supporting Services			Total Expenses
	Education	Total	Fundraising	General and Administrative	Total	
Compensation and benefits	\$ 3,056,000	\$ 3,056,000	\$ 236,000	\$ 308,000	\$ 544,000	\$ 3,600,000
Professional and software fees	1,888,000	1,888,000	161,000	167,000	328,000	2,216,000
Administrative support services	1,495,000	1,495,000	5,000	96,000	101,000	1,596,000
Grants	1,500,000	1,500,000	-	-	-	1,500,000
Production and distribution	585,000	585,000	66,000	-	66,000	651,000
Meetings, events and membership	325,000	325,000	76,000	4,000	80,000	405,000
Rentals and maintenance	23,000	23,000	44,000	38,000	82,000	105,000
Regulatory fees	16,000	16,000	-	-	-	16,000
Depreciation and amortization	10,000	10,000	-	-	-	10,000
Total expenses reported by function	<u>\$ 8,898,000</u>	<u>\$ 8,898,000</u>	<u>\$ 588,000</u>	<u>\$ 613,000</u>	<u>\$ 1,201,000</u>	<u>\$ 10,099,000</u>

The accompanying notes are an integral part of this financial statement.

The AOPA Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2022

	Program Services		Supporting Services			Total Expenses
	Education	Total	Fundraising	General and Administrative	Total	
Compensation and benefits	\$ 3,085,000	\$ 3,085,000	\$ 215,000	\$ 299,000	\$ 514,000	\$ 3,599,000
Professional and software fees	1,471,000	1,471,000	8,000	46,000	54,000	1,525,000
Administrative support services	1,655,000	1,655,000	150,000	122,000	272,000	1,927,000
Grants	1,500,000	1,500,000	-	-	-	1,500,000
Production and distribution	371,000	371,000	116,000	5,000	121,000	492,000
Meetings, events and membership	590,000	590,000	66,000	6,000	72,000	662,000
Rentals and maintenance	51,000	51,000	5,000	-	5,000	56,000
Regulatory fees	31,000	31,000	31,000	6,000	37,000	68,000
Depreciation and amortization	23,000	23,000	-	-	-	23,000
Total expenses reported by function	<u>\$ 8,777,000</u>	<u>\$ 8,777,000</u>	<u>\$ 591,000</u>	<u>\$ 484,000</u>	<u>\$ 1,075,000</u>	<u>\$ 9,852,000</u>

The accompanying notes are an integral part of this financial statement.

The AOPA Foundation, Inc.

STATEMENTS OF CASH FLOWS

Years ended December 31,

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 7,518,000	\$ (4,149,000)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Unrealized (gains) loss	(5,836,000)	7,366,000
Realized gains	(166,000)	(880,000)
Reinvested dividends and interest, net	(235,000)	(191,000)
Endowment contributions	(1,736,000)	(195,000)
Depreciation	16,000	23,000
Stock donations	473,000	146,000
Changes in operating assets and liabilities:		
Contribution receivables, net	(94,000)	(1,632,000)
Prepaid expenses	131,000	(21,000)
Accounts payable	(283,000)	42,000
Accrued expenses	(256,000)	(7,000)
Deferred revenue	-	(40,000)
Long-term obligations	(14,000)	(2,000)
	<u>(482,000)</u>	<u>460,000</u>
Net cash (used in) provided by operating activities		
Cash flows from investing activities:		
Proceeds from sales of investments	23,942,645	21,854,000
Purchases of investments	(25,000,645)	(24,673,000)
Purchases of property and equipment	(71,000)	-
	<u>(1,129,000)</u>	<u>(2,819,000)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Change in charitable gift annuities liability	14,000	2,000
Endowment contributions	1,736,000	195,000
	<u>1,750,000</u>	<u>197,000</u>
Net cash provided by financing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	139,000	(2,162,000)
Cash and cash equivalents, beginning of year	<u>4,604,000</u>	<u>6,766,000</u>
Cash and cash equivalents, end of year	<u>\$ 4,743,000</u>	<u>\$ 4,604,000</u>

The accompanying notes are an integral part of these financial statements.

The AOPA Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

The AOPA Foundation, Inc. (the “Foundation”), a non-profit tax-exempt organization formed in 2007, was created to:

- Promote, advance and encourage aviation and airport safety and security and the research and testing in support thereof.
- Educate the public and users of the national air transportation system of the value and importance of general aviation.
- Encourage and support flight training of pilots to assure the future of general aviation.
- Lessen the burdens of federal, state, and local government in connection with the maintenance and advancement of general aviation, and aviation and airport safety and security.
- Assist other organizations in the conduct of similar activities.

Grant expenses were incurred to support the following initiatives:

	2023	2022
Safety education and outreach	\$ 764,000	\$ 624,000
Airport preservation	397,000	389,000
Growing the pilot population	339,000	487,000
Total grant expenses	\$ 1,500,000	\$ 1,500,000

The Foundation granted \$1,500,000 to AOPA, which includes support of the AOPA Air Safety Institute, the Airport Support Network and AOPA Outreach. The AOPA Air Safety Institute offers safety quizzes, seminars, flight instructor refresher clinics, webinars, and PSAs. The Airport Support Network promotes, protects, and defends America’s community airports. AOPA Outreach produces regional events that provide educational exhibit programming at a grassroots level.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis, which conforms to accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Grants and Contribution Revenue and Net Assets

To ensure compliance with restrictions placed on the resources available to the Foundation, the Foundation’s accounts are maintained in accordance with the principles by which resources are classified for accounting and reporting into funds established according to their nature and purposes. In the financial statements, funds that have similar characteristics have been combined into two net asset categories: without donor restrictions and with donor restrictions.

- Net assets without donor restrictions are not restricted by donors, or the donor-imposed restrictions have expired. As reflected in the accompanying statements of financial position, the Foundation’s Board of Trustees has designated a portion of the net assets without donor restrictions of the Foundation as a board designated fund.

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

- Net assets with donor restrictions contain donor-imposed restrictions that permit the Foundation to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Foundation. The funds are expended either in their entirety or part as a result of the donor-imposed restriction(s).

The Foundation records grants and contributions, including promises to give, when they are received unconditionally, at their fair value. Governmental grant revenue is recognized to the extent that allowable program expenditures have been incurred in accordance with the terms of the related agreement to which they pertain. The Foundation measures fair value of unconditional promises to give that are expected to be collected in future years at the present value of their estimated future cash flows. Conditional promises to give contain a right of return or right of release from obligation and are not recognized until all conditions are substantially met.

Contributions that are received with donor stipulations that limit their use either through purpose or time restrictions are recorded as revenue with donor restrictions. When donor restrictions expire, that is, when a time restriction expires, or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

The Foundation reserves an amount commensurate with historical activity and economic conditions or specifically against a pledge based on known circumstances. Contribution receivables are presented in the accompanying statements of financial position net of estimated uncollectible amounts.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, except for short-term investments managed by the Foundations' investment manager as part of the long-term investment strategies.

Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to a concentration of credit risk include cash deposits, money market accounts and savings accounts with financial institutions. The Foundation's cash management policies limit its exposure to a concentration of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"). From time to time, the Foundation maintains cash balances with financial institutions which may exceed federally insured limits. The Foundation has not experienced any credit losses and management does not consider this to be a significant risk. The amount exceeding established FDIC limits at December 31, 2023 was approximately \$4,368,000. These funds are maintained for traditionally high first quarter funding requirements.

Liquidity

The Foundation's financial assets available for one year for general expenditures at December 31, 2023 and 2022 totaled \$7,214,000 and \$5,449,000, respectively. The financial assets are not subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year. The contributions receivable is subject to implied time restrictions but are expected to be collected within one year.

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

In addition, the Foundation currently holds investments with a redemption period of one year or less and free of permanent restrictions totaling approximately \$13,768,000 and \$10,078,000 as of December 31, 2023 and 2022, respectively. It is the intention of management to hold investments in excess of one year; therefore, all investments are excluded from the liquidity table below.

	2023	2022
Cash and cash equivalents	\$ 4,743,000	\$ 4,604,000
Cash and cash equivalents - investments	22,000	372,000
Money market funds - investments	2,386,000	443,000
Contribution receivables, net	2,190,000	1,502,000
Less: restricted receivables	<u>(2,127,000)</u>	<u>(1,472,000)</u>
Financial assets available within one year	<u>\$ 7,214,000</u>	<u>\$ 5,449,000</u>

Investments

The Foundation reports investments in money market funds, common stock and mutual funds, bond backed mutual funds, and alternative investments at fair value.

Investment gains and losses and reinvested interest and dividends, net of management fees, are included in the statements of activities and changes in net assets and are reported as non-operating activity.

Income Taxes

The Foundation follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Foundation is exempt from federal income tax under Internal Revenue Code (the "Code") Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Foundation has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to identify and evaluate other matters that may be considered tax positions. The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program costs charged to each program based on the direct costs charged to each program. The expenses are presented by natural classification and functional classification in the statements of functional expenses.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

Fair Value Measurements

Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. In accordance with ASC 820, the Foundation classifies its assets and liabilities into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which observable market inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies and inputs used for assets measured at fair value, as well as the general classification pursuant to the valuation hierarchy. Investments in equity securities are valued at the quoted prices in an active market and are classified within Level 1 of the fair value hierarchy. When quoted prices are available in an active market, corporate debt securities are classified within Level 1 of the fair value hierarchy. Quoted prices in inactive markets are classified within Level 2. When quoted market prices are not available or accessible, the investments are classified within Level 3 of the fair value hierarchy and these fair values are estimated using pricing models, matrix pricing, or discounted cash flow models. The Foundation does not hold any corporate debt securities for which quoted market prices are not available or accessible.

The valuation methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date and that difference may be material to the Foundation’s financial statements.

Measure of Operations

The change in net assets without donor restrictions from operating activities reflected on the accompanying financial statements includes primarily activities closely related to the educational, charitable, and administrative functions of the Foundation. Amounts not included in the measure of operations consist of the net return on investments, including realized and unrealized gains and losses.

NOTE B - CONTRIBUTION RECEIVABLES

The Foundation’s contribution receivables are expected to be received as follows at December 31:

	2023	2022
Current		
Less than one year	\$ 2,297,000	\$ 1,538,000
Less allowance	(107,000)	(36,000)
	2,190,000	1,502,000
Long-term		
One to five years	505,000	1,145,000
Less allowance	(25,000)	(57,000)
Less discounts	(3,000)	(17,000)
	477,000	1,071,000
Total contribution receivables	\$ 2,667,000	\$ 2,573,000

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE C - INVESTMENTS

The components of the Foundation's investment portfolio are as follows at December 31:

	2023	2022
Alternative investments	\$ 26,966,000	\$ 22,695,000
Common stock and mutual funds	12,066,000	12,947,000
Money market funds	2,386,000	443,000
Bond backed market funds	1,343,000	1,460,000
Securities in-transit	1,956,000	-
Cash and cash equivalents	22,000	372,000
	<u>\$ 44,739,000</u>	<u>\$ 37,917,000</u>

Investments measured at fair value on a recurring basis are as follows as of December 31:

	Total Amount	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2023				
Common stock and mutual funds	\$ 12,066,000	\$ 12,066,000	\$ -	\$ -
Money market mutual funds	2,386,000	2,386,000	-	-
Bond backed market funds	1,343,000	1,343,000	-	-
	<u>15,795,000</u>	<u>15,795,000</u>	-	-
Investments measured at NAV ^(a)	26,966,000	-	-	-
Cash and cash equivalents	22,000	-	-	-
	<u>26,988,000</u>	-	-	-
Securities in-transit	1,956,000	-	-	-
	<u>\$ 44,739,000</u>	<u>\$ 15,795,000</u>	<u>\$ -</u>	<u>\$ -</u>
2022				
Common stock and mutual funds	\$ 12,947,000	\$ 12,947,000	\$ -	\$ -
Bond backed market funds	1,460,000	1,460,000	-	-
Money market mutual funds	443,000	443,000	-	-
	<u>14,850,000</u>	<u>14,850,000</u>	-	-
Investments measured at NAV ^(a)	22,695,000	-	-	-
Cash and cash equivalents	372,000	-	-	-
	<u>23,067,000</u>	-	-	-
	<u>\$ 37,917,000</u>	<u>\$ 14,850,000</u>	<u>\$ -</u>	<u>\$ -</u>

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

(a) In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value ("NAV") per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022.

- *Money market funds, bond backed mutual funds, common stocks, and mutual funds:* Valued at the closing price reported on the active market on which the individual (or similar) securities are traded.
- *Alternative investments:* This category includes investments in commingled, or hedge funds, which are valued by applying the Foundation's ownership percentage in the partnership to the total value of the underlying investments of the fund.
- *Cash and cash equivalents:* This category include holdbacks on sales of alternative investments at December 31, 2023 that will be reinvested in alternative investments in 2024.

The valuation methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date and that difference may be material to the Foundation's financial statements.

The table below presents additional information for the Foundation's investments, as of December 31, 2023, whose fair value is estimated using the practical expedient of reported NAV. These disclosures are required for all investments that are eligible to be valued using the practical expedient as defined in ASU 2009-12, regardless of whether the practical expedient has been applied:

	Fair Value	Unfunded Commitments	Expected Liquidation Term	Redemption Terms	Redemption Restrictions	Redemption Restriction at 12/31/2023
Commingled	\$ 6,441,000	\$ -	Daily	Daily	Yes	Yes
Commingled	11,879,000	-	Monthly	Monthly	Yes	Yes
Commingled	1,114,000	-	Quarterly	Quarterly	Yes	Yes
	<u>\$ 19,434,000</u>					
Hedge funds (a)	\$ 2,842,000	\$ -	Monthly	Monthly	Yes	Yes
Hedge funds (a)	3,096,000	-	Quarterly	Quarterly	Yes	Yes
Hedge funds (a)	1,594,000	-	Annually	Annually	Yes	Yes
	<u>\$ 7,532,000</u>					

(a) This class includes several commingled, or hedge funds that invest primarily in international and domestic equity securities to achieve capital appreciation. The fair values of the investments have been estimated by using the NAV per share of the funds.

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

The table below presents additional information for the Foundation's investments, as of December 31, 2022, whose fair value is estimated using the practical expedient of reported NAV. These disclosures are required for all investments that are eligible to be valued using the practical expedient as defined in ASU 2009-12, regardless of whether the practical expedient has been applied:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Expected Liquidation Term</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>	<u>Redemption Restriction at 12/31/2022</u>
Commingled	\$ 5,749,000	\$ -	Daily	Daily	Yes	Yes
Commingled	11,306,000	-	Monthly	Monthly	Yes	Yes
Commingled	<u>596,000</u>	-	Quarterly	Quarterly	Yes	Yes
	<u>\$ 17,651,000</u>					
Hedge funds ^(a)	\$ 620,000	\$ -	Monthly	Monthly	Yes	Yes
Hedge funds ^(a)	2,563,000	-	Quarterly	Quarterly	Yes	Yes
Hedge funds ^(a)	<u>1,861,000</u>	-	Annually	Annually	Yes	Yes
	<u>\$ 5,044,000</u>					

^(a) This class includes several commingled, or hedge funds that invest primarily in international and domestic equity securities to achieve capital appreciation. The fair values of the investments have been estimated by using the NAV per share of the funds.

Return on investments consisted of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Realized gains	\$ 166,000	\$ 992,000
Reinvested dividends	353,000	426,000
Reinvested interest	54,000	39,000
Investment fees	(171,000)	(196,000)
Unrealized gains (loss)	<u>5,836,000</u>	<u>(7,366,000)</u>
	<u>\$ 6,238,000</u>	<u>\$ (6,105,000)</u>

NOTE D - OTHER CURRENT ASSETS

Other current assets are comprised of charitable gift annuities. See note H for offsetting liability.

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and are depreciated using the straight-line method.

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

Property and equipment consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Software	\$ 169,000	\$ 98,000
Accumulated depreciation	<u>(91,000)</u>	<u>(75,000)</u>
	<u>\$ 78,000</u>	<u>\$ 23,000</u>

Depreciation expense was \$16,000 and \$23,000 in the years ended December 31, 2023 and 2022, respectively.

NOTE F - NET ASSETS WITHOUT DONOR RESTRICTIONS

The Foundation's net assets without donor restrictions at December 31, 2023 and 2022 totaled \$21,126,000 and \$16,419,000, respectively. The net assets without donor restrictions included Board of Trustees designated net assets of \$2,589,000 for 2023 and 2022.

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

The Foundation's net assets with donor restrictions consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Subject to endowment spending policy and appropriation		
Educational programs	\$ 14,515,000	\$ 12,779,000
Subject to expenditures for specified purpose		
Growing the pilot population	15,513,000	13,448,000
Foundation operations	376,000	1,118,000
Future year unrestricted	53,000	335,000
Grants	<u>34,000</u>	<u>-</u>
	<u>15,976,000</u>	<u>14,901,000</u>
Total net assets with donor restrictions	<u>\$ 30,491,000</u>	<u>\$ 27,680,000</u>

For the years ended December 31, 2023 and 2022, net assets of \$6,635,000 and \$4,260,000, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes, by passage of time, or by occurrence of other events as specified by donors.

Endowment

The Foundation endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported as net assets with donor restrictions based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law

Management and the Board of Trustees of the Foundation have interpreted and demonstrated the Foundation's understanding of the Maryland Uniform Prudent Management of Institutional Funds Act to

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

require 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 Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In making decisions regarding the investment and appropriation of appreciation, the Foundation considers long and short-term needs of the Foundation in carrying out the charitable purpose, present and future financial requirements, expected total return on investments and general economic conditions.

Endowment Spending Policy

The Board of Trustees has established an investment earning spending policy which states that operations will be allowed to spend no less than 2% and no more than 4% of the endowment balance each year. The annual percentage is established by the historical three-year trailing average (with a 2% minimum and 4% maximum). The variance to actual investment earnings above or below the allowed percentage is considered as a non-operating adjustment to net assets without donor restrictions.

Endowment Investment Policies

The Foundation's investments are managed in accordance with the Board-adopted Investment Policy Statement. Under this policy, assets are invested in a manner to satisfy the Foundation's long-term investment performance while assuming an appropriate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy the long-term objectives, the Foundation relies on a mixture of equity, fixed income, and alternative investments.

Funds with Deficiencies

From time to time, the fair value of assets associated with the individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. For 2023, there was one named endowment that had fallen \$6,000 below its original gift amount. For 2022, there were six named endowments that had fallen \$198,000 below their original gift amounts. The Foundation's policy is to refrain from spending until fair market value is greater than original contribution.

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

The following illustrates endowment net asset composition by type of fund and the changes in endowment net assets for the year ended December 31:

	2023		
	Net Assets Without Restrictions	Net Assets With Restrictions	Total
Donor-restricted endowment funds	\$ 2,767,000	\$ 14,515,000	\$ 17,282,000
Total funds	\$ 2,767,000	\$ 14,515,000	\$ 17,282,000
Endowment net assets, beginning of year	\$ 1,199,000	\$ 12,779,000	\$ 13,978,000
Investment return			
Interest and dividends	132,000	-	132,000
Net realized and unrealized gain on investments	1,947,000	-	1,947,000
Total investment return	2,079,000	-	2,079,000
Amounts appropriated for expenditure	511,000	-	511,000
Contributions received	-	1,736,000	1,736,000
Endowment net assets, end of year	\$ 2,767,000	\$ 14,515,000	\$ 17,282,000

The following illustrates endowment net asset composition by type of fund and the changes in endowment net assets for the year ended December 31:

	2022		
	Net Assets Without Restrictions	Net Assets With Restrictions	Total
Donor-restricted endowment funds	\$ 1,199,000	\$ 12,779,000	\$ 13,978,000
Total funds	\$ 1,199,000	\$ 12,779,000	\$ 13,978,000
Endowment net assets, beginning of year	\$ 3,693,000	\$ 12,584,000	\$ 16,277,000
Investment return			
Interest and dividends	157,000	-	157,000
Net realized and unrealized loss on investments	(2,148,000)	-	(2,148,000)
Total investment return	(1,991,000)	-	(1,991,000)
Amounts appropriated for expenditure	503,000	-	503,000
Contributions received	-	195,000	195,000
Endowment net assets, end of year	\$ 1,199,000	\$ 12,779,000	\$ 13,978,000

NOTE H - CHARITABLE GIFT ANNUITIES

In April 2015, the Foundation purchased commercial single premium immediate annuities from two insurance companies as assets to back its contractual life-income liability owed to charitable gift annuity

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

donors. The asset is reflected as other assets and the offsetting liability is reflected in long-term obligations on the statements of financial position. The liability was determined using the 2000CM mortality table and assumed interest rates of 1.6% to 4.2%. For years ended December 31, 2023 and 2022, the long-term obligation was \$281,000 and \$295,000, respectively.

NOTE I - EMPLOYEE BENEFIT PLANS

The Foundation provides its employees with a defined supplemental contribution sharing and 401(k) plan (the "DC Plan"). Foundation contributions to the supplemental contribution portion of the DC Plan can range from 2.5% to 10% of aggregated participants' eligible compensation at the discretion of the Board of Trustees. For years ended December 31, 2023 and 2022, the supplemental contribution under the DC Plan was \$80,000 and \$105,000, respectively.

The Foundation makes a matching contribution to the 401(k) portion of the DC Plan. For the years ended December 31, 2023 and 2022, matching contributions were \$102,000 and \$112,000, respectively.

NOTE J - RELATED-PARTY TRANSACTIONS

Certain officers and trustees of the Foundation are also officers and trustees of AOPA (the "Association"). In addition to the grant that the Foundation provides to the Association as discussed in Note A, the Association provides various administrative support services to assist the Foundation in fulfilling its purpose, for which the Foundation was charged \$2,217,000 and \$1,926,000 in 2023 and 2022, respectively. The amount payable to the Association at December 31, 2023 and 2022 was \$523,000 and \$800,000, respectively, and is included in the accompanying statements of financial position.

NOTE K - ALLOCATION OF JOINT COSTS

The Foundation conducts activities to distribute information related to its mission and to appeal for funds. The joint costs incurred through these activities for the years ended December 31, were allocated as follows:

	<u>2023</u>	<u>2022</u>
Education	\$ 1,888,000	\$ 1,655,000
Fundraising	<u>588,000</u>	<u>591,000</u>
Total joint costs	<u>\$ 2,476,000</u>	<u>\$ 2,246,000</u>

NOTE L - SUBSEQUENT EVENTS

The Foundation evaluated its financial statements for subsequent events through April 16, 2024, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require additional recognition or disclosure in the financial statements as of December 31, 2023.