

Financial Statements and Report of
Independent Certified Public
Accountants

The AOPA Foundation, Inc.

December 31, 2019 and 2018

Contents

	Page
Report of Independent Certified Public Accountants	3
Financial Statements:	
Statements of financial position	5
Statements of activities and changes in net assets	6
Statements of functional expenses	7-8
Statements of cash flows	9
Notes to financial statements	10

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
The AOPA Foundation, Inc.

We have audited the accompanying financial statements of AOPA Foundation, Inc. (the "Foundation") (a Maryland corporation), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AOPA Foundation, Inc. as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Arlington, Virginia
April 21, 2020

The AOPA Foundation, Inc.
STATEMENTS OF FINANCIAL POSITION
December 31,

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,669,000	\$ 5,351,000
Contribution commitments, net	819,000	1,260,000
Prepaid expenses	6,000	29,000
Other current assets	-	237,000
	4,494,000	6,877,000
LONG-TERM ASSETS		
Contribution commitments, net	634,000	636,000
INVESTMENTS, AT FAIR VALUE	32,346,000	26,671,000
OTHER ASSETS - Charitable Gift Annuities	331,000	349,000
Total assets	\$ 37,805,000	\$ 34,533,000
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 231,000	\$ 157,000
Accrued expenses	248,000	98,000
	479,000	255,000
LONG-TERM OBLIGATIONS - Charitable Gift Annuities	331,000	349,000
Total liabilities	810,000	604,000
NET ASSETS		
Without Donor Restrictions	19,328,000	16,997,000
With Donor Restrictions	17,667,000	16,932,000
Total net assets	36,995,000	33,929,000
Total liabilities and net assets	\$ 37,805,000	\$ 34,533,000

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

The AOPA Foundation, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended December 31,

	<u>2019</u>	<u>2018</u>
Revenue		
Contributions	\$ 2,095,000	\$ 2,466,000
Net assets released from restrictions	5,959,000	5,568,000
Other income	59,000	73,000
	<u>8,113,000</u>	<u>8,107,000</u>
Expenses		
Program Services		
Education	10,123,000	7,281,000
Supporting Services		
Fundraising	675,000	802,000
General and administrative	308,000	193,000
	<u>11,106,000</u>	<u>8,276,000</u>
Change in net assets without donor restrictions from operating activities	(2,993,000)	(169,000)
Non-operating activity		
Return on investments, net	<u>5,324,000</u>	<u>(2,116,000)</u>
Change in net assets without donor restrictions	2,331,000	(2,285,000)
Net assets with donor restrictions		
Contributions	6,694,000	5,415,000
Net assets released from restrictions	<u>(5,959,000)</u>	<u>(5,568,000)</u>
Change in net assets with donor restrictions	<u>735,000</u>	<u>(153,000)</u>
Change in net assets	3,066,000	(2,438,000)
Net assets, beginning of year	<u>33,929,000</u>	<u>36,367,000</u>
Net assets, end of year	<u>\$ 36,995,000</u>	<u>\$ 33,929,000</u>

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

The AOPA Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2019

	<u>Program Services</u>		<u>Supporting Services</u>			<u>Total</u>
	<u>Education</u>	<u>Total</u>	<u>Fundraising</u>	<u>General and administrative</u>	<u>Total</u>	
Grants	\$ 8,459,000	\$ 8,459,000	\$ -	\$ -	\$ -	\$ 8,459,000
Compensation and benefits	519,000	519,000	162,000	128,000	290,000	809,000
Administrative support services	636,000	636,000	42,000	19,000	61,000	697,000
Production and distribution	270,000	270,000	229,000	7,000	236,000	506,000
Professional and software fees	150,000	150,000	113,000	135,000	248,000	398,000
Meetings, events and membership	80,000	80,000	105,000	12,000	117,000	197,000
Regulatory fees	9,000	9,000	23,000	4,000	27,000	36,000
Rentals and maintenance	-	-	1,000	3,000	4,000	4,000
Total expenses reported by function	<u>\$ 10,123,000</u>	<u>\$ 10,123,000</u>	<u>\$ 675,000</u>	<u>\$ 308,000</u>	<u>\$ 983,000</u>	<u>\$ 11,106,000</u>

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

The AOPA Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2018

	<u>Program Services</u>		<u>Supporting Services</u>			<u>Total</u>
	<u>Education</u>	<u>Total</u>	<u>Fundraising</u>	<u>General and administrative</u>	<u>Total</u>	
Grants	\$ 5,700,000	\$ 5,700,000	\$ -	\$ -	\$ -	\$ 5,700,000
Compensation and benefits	448,000	448,000	158,000	86,000	244,000	692,000
Administrative support services	584,000	584,000	64,000	15,000	79,000	663,000
Production and distribution	319,000	319,000	246,000	7,000	253,000	572,000
Professional and software fees	125,000	125,000	95,000	73,000	168,000	293,000
Meetings, events and membership	96,000	96,000	137,000	10,000	147,000	243,000
Regulatory fees	9,000	9,000	96,000	2,000	98,000	107,000
Rentals and maintenance	-	-	6,000	-	6,000	6,000
Total expenses reported by function	<u>\$ 7,281,000</u>	<u>\$ 7,281,000</u>	<u>\$ 802,000</u>	<u>\$ 193,000</u>	<u>\$ 995,000</u>	<u>\$ 8,276,000</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>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,066,000	\$ (2,438,000)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Unrealized (gains) losses	(5,049,000)	2,708,000
Realized gains	(172,000)	(499,000)
Reinvested dividends and interest, net	(103,000)	(93,000)
Endowment contributions	(76,000)	(250,000)
Stock donations	276,000	352,000
Changes in operating assets and liabilities:		
Receivables	443,000	497,000
Prepaid expenses	23,000	2,000
Other assets	237,000	(237,000)
Accounts payable	74,000	106,000
Accrued expenses	150,000	(43,000)
Long-term obligations	(18,000)	(15,000)
Net cash (used in) provided by operating activities	<u>(1,149,000)</u>	<u>90,000</u>
Cash flows from investing activities:		
Proceeds from sales of investments	11,899,000	8,275,000
Purchases of investments	<u>(12,526,000)</u>	<u>(8,057,000)</u>
Net cash (used in) provided by investing activities	<u>(627,000)</u>	<u>218,000</u>
Cash flows from financing activities:		
Change in charitable gift annuities liability	18,000	15,000
Endowment contributions	<u>76,000</u>	<u>250,000</u>
Net cash provided by financing activities	<u>94,000</u>	<u>265,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,682,000)	573,000
Cash and cash equivalents, beginning of year	<u>5,351,000</u>	<u>4,778,000</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,669,000</u></u>	<u><u>\$ 5,351,000</u></u>

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

The AOPA Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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 to 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:

	2019	2018
Growing the pilot population	\$ 7,200,000	\$ 4,685,000
Safety education and outreach	936,000	936,000
Airport preservation	323,000	79,000
Total grant expenses	\$ 8,459,000	\$ 5,700,000

The Foundation granted \$8,459,000 to the Aircraft Owners and Pilots Association ("AOPA"), which includes a donated aircraft values at \$237,000, to support outreach at AOPA community fly-ins, the You Can Fly programs, the AOPA Air Safety Institute, and the Airport Support Network. The You Can Fly programs focus on developing flying clubs, supporting AOPA Ambassadors, flight training, Rusty Pilots initiative, and the high school program. 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.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis, which conforms to generally accepted accounting principles.

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

Contribution Revenue and Net Assets

To ensure compliance with restrictions placed on the resources available to the Foundation, 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.
- 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 its entirety or part as a result of the donor-imposed restriction(s).

The Foundation records contributions, including promises to give, when they are received unconditionally, at their fair value. 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 contributions are recognized as revenue when the conditions on which they depend have been substantially met.

The Foundation records contributions as with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time 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. Contributions 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 with commercial banks. 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. Amounts exceeding established FDIC limits at December 31, 2019 was approximately \$3,313,000. These funds are maintained for traditionally high first quarter funding requirements.

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

Donor Concentration

There is one donor with significant contributions for the years ending December 31, 2019 and 2018. Contributions from one donor represent 42% and 24% of the Foundation's contributions at December 31, 2019 and 2018, respectively.

Liquidity

The Foundation's financial assets available for one year for general expenditures at December 31, 2019 and 2018 totaled \$3,918,000 and \$6,767,000, 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. In addition, the Foundation currently holds investments with a redemption period of one year or less and free of permanent restrictions totaling approximately \$14,679,000 and \$9,739,000 as of December 31, 2019 and 2018, 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.

	2019	2018
Cash and cash equivalents	\$ 3,669,000	\$ 5,351,000
Cash and cash equivalents - investments	59,000	924,000
Contribution commitments, net	819,000	1,260,000
Less: restricted commitments	(629,000)	(768,000)
Financial assets available within one year	<u>\$ 3,918,000</u>	<u>\$ 6,767,000</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 IRC 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 tax years ending December 31, 2019, 2018, 2017 and 2016 are still open to audit for both federal and state purposes. The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

Revenue Recognition

The Foundation adopted ASC Topic 606, Revenue from Contracts with Customers (ASC 606), January 1, 2019. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model includes identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; and recognize revenue when (or as) the Foundation satisfies a performance obligation.

The Foundation recognizes revenue when control of the promised goods or services are transferred to outside parties in an amount that reflects the consideration the Foundation expects to be entitled to in exchange for those goods or services. ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amounts, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation has identified registration revenue as a revenue category subject to the adoption of ASC 606. Contributions, grants, and investment income are exempt from ASC 606.

The results of applying ASC 606 using the modified retrospective approach did not have a material impact on the financial positions, changes in net assets, cash flows, business processes, controls or systems of the Foundation for the periods ending December 31, 2019 and December 31, 2018.

Effective January 1, 2019, the Foundation adopted FASB ASU 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. In accordance with ASU 2018-08, the Foundation evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Foundation applies guidance under ASC 606. If the transfer of assets is determined to be a contribution, the Foundation evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Foundation is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

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 accounting principles generally accepted in the United States of America, 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.

Fair Value Measurements

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

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

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 COMMITMENTS

The Foundation's contribution commitments are expected to be received as follows at December 31:

	2019	2018
Current:		
Less than one year	\$ 906,000	\$ 1,379,000
Less allowance	(87,000)	(119,000)
	819,000	1,260,000
Long-term:		
One to five years	709,000	709,000
Greater than five years	27,000	37,000
Less allowance	(74,000)	(75,000)
Less discounts	(28,000)	(35,000)
	634,000	636,000
Total contribution commitments	\$ 1,453,000	\$ 1,896,000

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE C - INVESTMENTS

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

	2019		2018	
	Cost	Fair value	Cost	Fair value
Alternative investments	\$ 17,170,000	\$ 21,630,000	\$ 16,271,000	\$ 16,975,000
Common stock and mutual funds	7,550,000	8,308,000	6,212,000	5,740,000
Bond backed market funds	2,026,000	2,059,000	2,313,000	2,293,000
Money market funds	290,000	290,000	739,000	739,000
Cash and cash equivalents	59,000	59,000	924,000	924,000
	<u>\$ 27,095,000</u>	<u>\$ 32,346,000</u>	<u>\$ 26,459,000</u>	<u>\$ 26,671,000</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)
2019:				
Common stock and mutual funds	\$ 8,308,000	\$ 8,308,000	\$ -	\$ -
Bond backed market funds	2,059,000	2,059,000	-	-
Money market mutual funds	290,000	290,000	-	-
	10,657,000	10,657,000	-	-
Investments measured at NAV ^(a)	21,630,000	-	-	-
Cash and cash equivalents	59,000	-	-	-
	<u>\$ 32,346,000</u>	<u>\$ 10,657,000</u>	<u>\$ -</u>	<u>\$ -</u>
2018:				
Common stock and mutual funds	\$ 5,740,000	\$ 5,740,000	\$ -	\$ -
Bond backed market funds	2,293,000	2,293,000	-	-
Money market mutual funds	739,000	739,000	-	-
	8,772,000	8,772,000	-	-
Investments measured at NAV ^(a)	16,975,000	-	-	-
Cash and cash equivalents	924,000	-	-	-
	<u>\$ 26,671,000</u>	<u>\$ 8,772,000</u>	<u>\$ -</u>	<u>\$ -</u>

^(a) In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the 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 AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

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, 2019 and 2018.

- *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, 2019 that will be reinvested in alternative investments in 2020.

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, 2019, whose fair value is estimated using the practical expedient of reported net asset value ("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 12/31/2019</u>
Commingled	\$ 3,209,000	\$ -	Daily	Daily	Yes	Yes
Commingled	13,235,000	\$ -	Monthly	Monthly	Yes	Yes
Commingled	<u>2,065,000</u>	\$ -	Quarterly	Quarterly	Yes	Yes
	<u>\$ 18,509,000</u>					
Hedge funds ^(a)	\$ 2,563,000	\$ -	Quarterly	Quarterly	Yes	Yes
Hedge funds ^(a)	352,000	\$ -	Annually	Annually	Yes	Yes
Hedge funds ^(a)	<u>67,000</u>	\$ -	N/A	N/A	N/A	N/A
	<u>\$ 2,982,000</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, 2019 and 2018

The table below presents additional information for the Foundation's investments, as of December 31, 2018, 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 12/31/2018</u>
Commingled	\$ 2,092,000	\$	Daily	Daily	Yes	Yes
Commingled	8,432,000	\$	Monthly	Monthly	Yes	Yes
Commingled	<u>2,637,000</u>	\$	Quarterly	Quarterly	Yes	Yes
	<u>\$ 13,162,000</u>					
Hedge funds ^(a)	\$ 3,460,000	\$	Quarterly	Quarterly	Yes	Yes
Hedge funds ^(a)	438,000	\$	Annually	Annually	Yes	Yes
Hedge funds ^(a)	<u>65,000</u>	\$	N/A	N/A	N/A	N/A
	<u>\$ 3,813,000</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>2019</u>	<u>2018</u>
Unrealized gains (losses)	\$ 5,049,000	\$ (2,708,000)
Realized gains	172,000	499,000
Reinvested dividends	142,000	130,000
Reinvested interest	63,000	63,000
Investment fees	<u>(102,000)</u>	<u>(100,000)</u>
	<u>\$ 5,324,000</u>	<u>\$ (2,116,000)</u>

NOTE D - OTHER CURRENT ASSETS

Other current assets are comprised of the fair market value of aircraft donated to the Foundation totaling \$0 and \$237,000 for December 31, 2019 and 2018, respectively. The Foundation granted the donated aircraft held at December 31, 2018 to AOPA during the year ending December 31, 2019.

NOTE E - NET ASSETS WITHOUT DONOR RESTRICTIONS

The Foundation's net assets without donor restrictions at December 31, 2019 and 2018 totaled \$19,328,000 and \$16,997,000, respectively. The net assets without donor restrictions included Board of Trustees designated net assets of \$2,589,000 for 2019 and 2018.

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

The Foundation's net assets with donor restrictions at December 31, 2019 and 2018 totaled \$17,667,000 and \$16,932,000, respectively.

	2019	2018
Subject to endowment spending policy and appropriation:		
Educational programs	\$ 11,182,000	\$ 11,106,000
Subject to expenditures for specified purpose:		
Growing the pilot population	5,918,000	5,032,000
Future year unrestricted	548,000	769,000
Safety education and outreach	19,000	25,000
	<u>6,485,000</u>	<u>5,826,000</u>
Total net assets with donor restrictions	<u>\$ 17,667,000</u>	<u>\$ 16,932,000</u>

For the years ended December 31, 2019 and 2018 net assets of \$5,959,000 and \$5,568,000 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 Board of Trustees of the Foundation have interpreted and demonstrated our understanding of the Maryland Uniform Prudent Management of Institutional Funds Act to 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 organization considers long and short-term needs of the organization 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 two percent and no more than five percent of the endowment balance each year. The annual percentage is established by the historical three-year trailing average (with a two percent minimum and five percent 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.

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

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 organization'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 requires the Foundation to retain as a fund of perpetual duration. There were no funds with deficiencies at December 31, 2019 and 2018.

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

	2019		
	Net assets without restrictions	Net assets with restrictions	Total
Donor-restricted endowment funds	\$ 1,845,000	\$ 11,182,000	\$ 13,027,000
Total funds	<u>\$ 1,845,000</u>	<u>\$ 11,182,000</u>	<u>\$ 13,027,000</u>
Endowment net assets, beginning of year	\$ 413,000	\$ 11,106,000	\$ 11,519,000
Investment return:			
Interest and dividends	71,000	-	71,000
Net realized and unrealized gain on investments	<u>1,805,000</u>	<u>-</u>	<u>1,805,000</u>
Total investment return	1,876,000	-	1,876,000
Amounts appropriated for expenditure	444,000	-	444,000
Contributions received	<u>-</u>	<u>76,000</u>	<u>76,000</u>
Endowment net assets, end of year	<u>\$ 1,845,000</u>	<u>\$ 11,182,000</u>	<u>\$ 13,027,000</u>

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

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

	2018		Total
	Net assets without restrictions	Net assets with restrictions	
Donor-restricted endowment funds	\$ 413,000	\$ 11,106,000	\$ 11,519,000
Total funds	<u>\$ 413,000</u>	<u>\$ 11,106,000</u>	<u>\$ 11,519,000</u>
Endowment net assets, beginning of year	\$ 1,686,000	\$ 10,856,000	\$ 12,542,000
Investment return:			
Interest and dividends	80,000	-	80,000
Net realized and unrealized loss on investments	(919,000)	-	(919,000)
Total investment return	(839,000)	-	(839,000)
Amounts appropriated for expenditure	434,000	-	434,000
Contributions received	-	250,000	250,000
Endowment net assets, end of year	<u>\$ 413,000</u>	<u>\$ 11,106,000</u>	<u>\$ 11,519,000</u>

NOTE G - LONG-TERM OBLIGATIONS

Long-term obligations at December 31 consist of the following:

	2019	2018
Charitable Gift Annuities (Note H)	\$ 331,000	\$ 349,000
	<u>\$ 331,000</u>	<u>\$ 349,000</u>

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 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 percent to 4.2 percent.

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 percent to 10 percent of aggregated participants' eligible compensation at the discretion of the

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

Board of Trustees. Contribution expense under the DC Plan was \$15,000 and \$6,000 for the years ended December 31, 2019 and 2018, respectively.

The Foundation makes a matching contribution to the 401(k) portion of the DC Plan. For the years ended December 31, 2019 and 2018, matching contributions were \$22,000 and \$23,000, 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 \$697,000 and \$663,000 in 2019 and 2018, respectively. The amount payable to the Association at December 31, 2019 and 2018 was \$212,000 and \$127,000, 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:

	2019	2018
Education	\$ 1,098,000	\$ 1,082,000
Fundraising	675,000	802,000
Total joint costs	<u>\$ 1,773,000</u>	<u>\$ 1,884,000</u>

NOTE L - SUBSEQUENT EVENTS

The Foundation evaluated its December 31, 2019 financial statements for subsequent events through April 21, 2020, the date the financial statements were available to be issued and concluded that no additional disclosures are required.

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. We are closely monitoring our investment portfolio and its liquidity and are actively working to minimize the impact of these declines. Our financial statements do not include adjustments to fair value that have resulted from these declines.