

Financial Statements and Report of
Independent Certified Public
Accountants

The AOPA Foundation, Inc.

December 31, 2021 and 2020

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GRANT THORNTON LLP

1000 Wilson Boulevard, Suite 1400
Arlington, VA 22209

D +1 703 847 7500

F +1 703 848 9580

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
The AOPA Foundation, Inc.

Opinion

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, 2021 and 2020, 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of AOPA Foundation, Inc. as of December 31, 2021 and 2020, 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 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.



Arlington, Virginia
April 19, 2022

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

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,766,000	\$ 4,008,000
Contribution receivables, net	510,000	355,000
Prepaid expenses	427,000	27,000
Other current assets	-	47,000
	7,703,000	4,437,000
Long-term assets		
Contribution receivables, net	431,000	358,000
Investments, at fair value	41,539,000	36,874,000
Property and equipment, net	46,000	-
Other assets - charitable gift annuities	297,000	311,000
Total assets	\$ 50,016,000	\$ 41,980,000
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 823,000	\$ 323,000
Accrued expenses	608,000	110,000
Deferred revenue	40,000	-
	1,471,000	433,000
Long-term obligations - charitable gift annuities	297,000	311,000
Total liabilities	1,768,000	744,000
Net assets		
Without donor restrictions	25,631,000	21,719,000
With donor restrictions	22,617,000	19,517,000
Total net assets	48,248,000	41,236,000
Total liabilities and net assets	\$ 50,016,000	\$ 41,980,000

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

The AOPA Foundation, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years ended December 31,

	<u>2021</u>	<u>2020</u>
Revenue		
Contributions	\$ 3,081,000	\$ 1,743,000
Net assets released from restrictions	4,883,000	5,945,000
Other income	63,000	-
	<u>8,027,000</u>	<u>7,688,000</u>
Expenses		
Program services		
Education	7,177,000	7,982,000
Supporting services		
Fundraising	783,000	840,000
General and administrative	819,000	516,000
	<u>8,779,000</u>	<u>9,338,000</u>
Change in net assets without donor restrictions from operating activities	(752,000)	(1,650,000)
Non-operating activity		
Return on investments, net	<u>4,664,000</u>	<u>4,041,000</u>
Change in net assets without donor restrictions	3,912,000	2,391,000
Net assets with donor restrictions		
Contributions	7,983,000	7,795,000
Net assets released from restrictions	<u>(4,883,000)</u>	<u>(5,945,000)</u>
Change in net assets with donor restrictions	<u>3,100,000</u>	<u>1,850,000</u>
CHANGE IN NET ASSETS	7,012,000	4,241,000
Net assets , beginning of year	<u>41,236,000</u>	<u>36,995,000</u>
Net assets , end of year	<u>\$ 48,248,000</u>	<u>\$ 41,236,000</u>

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

The AOPA Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2021

	Program Services		Supporting Services			Total Expenses
	Education	Total	Fundraising	General and Administrative	Total	
Compensation and benefits	\$ 2,770,000	\$ 2,770,000	\$ 298,000	\$ 548,000	\$ 846,000	\$ 3,616,000
Professional and software fees	1,342,000	1,342,000	11,000	71,000	82,000	1,424,000
Administrative support services	1,277,000	1,277,000	168,000	176,000	344,000	1,621,000
Grants	1,200,000	1,200,000	-	-	-	1,200,000
Production and distribution	270,000	270,000	186,000	9,000	195,000	465,000
Meetings, events and membership	244,000	244,000	43,000	8,000	51,000	295,000
Rentals and maintenance	29,000	29,000	31,000	-	31,000	60,000
Regulatory fees	28,000	28,000	46,000	7,000	53,000	81,000
Depreciation and amortization	17,000	17,000	-	-	-	17,000
Total expenses reported by function	<u>\$ 7,177,000</u>	<u>\$ 7,177,000</u>	<u>\$ 783,000</u>	<u>\$ 819,000</u>	<u>\$ 1,602,000</u>	<u>\$ 8,779,000</u>

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

The AOPA Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2020

	Program Services		Supporting Services			Total Expenses
	Education	Total	Fundraising	General and Administrative	Total	
Grants	\$ 6,500,000	\$ 6,500,000	\$ -	\$ -	\$ -	\$ 6,500,000
Compensation and benefits	558,000	558,000	275,000	388,000	663,000	1,221,000
Administrative support services	514,000	514,000	51,000	33,000	84,000	598,000
Production and distribution	264,000	264,000	218,000	6,000	224,000	488,000
Professional and software fees	120,000	120,000	111,000	77,000	188,000	308,000
Regulatory fees	5,000	5,000	125,000	6,000	131,000	136,000
Meetings, events and membership	21,000	21,000	54,000	4,000	58,000	79,000
Rentals and maintenance	-	-	6,000	2,000	8,000	8,000
Total expenses reported by function	<u>\$ 7,982,000</u>	<u>\$ 7,982,000</u>	<u>\$ 840,000</u>	<u>\$ 516,000</u>	<u>\$ 1,356,000</u>	<u>\$ 9,338,000</u>

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

The AOPA Foundation, Inc.
STATEMENTS OF CASH FLOWS
Years ended December 31,

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 7,012,000	\$ 4,241,000
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gains	(2,636,000)	(3,305,000)
Realized gains	(1,824,000)	(611,000)
Reinvested dividends and interest, net	(204,000)	(125,000)
Endowment contributions	(980,000)	(422,000)
Depreciation	17,000	-
Stock donations	1,622,000	402,000
Non-cash fixed asset transfer	(63,000)	-
Changes in operating assets and liabilities:		
Contribution receivables	(228,000)	740,000
Prepaid expenses	(400,000)	(21,000)
Other assets	47,000	(47,000)
Accounts payable	500,000	92,000
Accrued expenses	498,000	(138,000)
Deferred revenue	40,000	-
Long-term obligations	(14,000)	(20,000)
Net cash provided by operating activities	<u>3,387,000</u>	<u>786,000</u>
Cash flows from investing activities:		
Proceeds from sales of investments	15,479,000	12,257,000
Purchases of investments	<u>(17,102,000)</u>	<u>(13,146,000)</u>
Net cash used in investing activities	<u>(1,623,000)</u>	<u>(889,000)</u>
Cash flows from financing activities:		
Change in charitable gift annuities liability	14,000	20,000
Endowment contributions	<u>980,000</u>	<u>422,000</u>
Net cash provided by financing activities	<u>994,000</u>	<u>442,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,758,000	339,000
Cash and cash equivalents, beginning of year	<u>4,008,000</u>	<u>3,669,000</u>
Cash and cash equivalents, end of year	<u>\$ 6,766,000</u>	<u>\$ 4,008,000</u>

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

The AOPA Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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:

	2021	2020
Safety education and outreach	\$ 595,000	\$ 625,000
Growing the pilot population	320,000	5,590,000
Airport preservation	285,000	285,000
Total grant expenses	\$ 1,200,000	\$ 6,500,000

The Foundation granted \$1,200,000 to AOPA, which includes support of the You Can Fly programs, the AOPA Air Safety Institute, and the Airport Support Network. The You Can Fly programs focused on AOPA Flight Training Advantage App. 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 accounting principles generally accepted in the United States of America (“US 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, 2021 and 2020

- 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. 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. 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 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. The amount exceeding established FDIC limits at December 31, 2021 was approximately \$6,425,000. These funds are maintained for traditionally high first quarter funding requirements.

Donor Concentration

There is one donor with significant contributions for the years ending December 31, 2021 and 2020. Contributions from one donor represent 23% and 50% of the Foundation's contributions at December 31, 2021 and 2020, respectively.

Liquidity

The Foundation's financial assets available for one year for general expenditures at December 31, 2021 and 2020 totaled \$8,550,000 and \$5,322,000, 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 \$18,641,000 and \$17,294,000 as of December 31,

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

2021 and 2020, 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.

	2021	2020
Cash and cash equivalents	\$ 6,766,000	\$ 4,009,000
Cash and cash equivalents - investments	1,198,000	763,000
Money market funds - investments	376,000	391,000
Contribution receivables, net	510,000	355,000
Less: restricted receivables	(300,000)	(196,000)
	<u>\$ 8,550,000</u>	<u>\$ 5,322,000</u>
Financial assets available within one year	<u>\$ 8,550,000</u>	<u>\$ 5,322,000</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 US 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, 2021 and 2020

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:

	2021	2020
Current:		
Less than one year	\$ 542,000	\$ 387,000
Less allowance	(32,000)	(32,000)
	510,000	355,000
Long-term:		
One to five years	482,000	438,000
Less allowance	(48,000)	(44,000)
Less discounts	(3,000)	(36,000)
	431,000	358,000
Total contribution receivables	\$ 941,000	\$ 713,000

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

NOTE C - INVESTMENTS

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

	2021	2020
Alternative investments	\$ 26,178,000	\$ 21,581,000
Common stock and mutual funds	11,369,000	11,652,000
Bond backed market funds	2,418,000	2,487,000
Cash and cash equivalents	1,198,000	763,000
Money market funds	376,000	391,000
	<u>\$ 41,539,000</u>	<u>\$ 36,874,000</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)
2021:				
Common stock and mutual funds	\$ 11,369,000	\$ 11,369,000	\$ -	\$ -
Bond backed market funds	2,418,000	2,418,000		
Money market mutual funds	376,000	376,000		
	<u>14,163,000</u>	<u>14,163,000</u>		
Cash and cash equivalents	1,198,000	-		
	<u>27,375,000</u>	<u>-</u>		
	<u>\$ 41,539,000</u>	<u>\$ 14,163,000</u>	<u>\$ -</u>	<u>\$ -</u>
2020:				
Common stock and mutual funds	\$ 11,652,000	\$ 11,652,000	\$ -	\$ -
Bond backed market funds	2,487,000	2,487,000		
Money market mutual funds	391,000	391,000		
	<u>14,530,000</u>	<u>14,530,000</u>		
Investments measured at NAV ^(a)	21,581,000	-		
Cash and cash equivalents	763,000	-		
	<u>22,344,000</u>	<u>-</u>		
	<u>\$ 36,874,000</u>	<u>\$ 14,530,000</u>	<u>\$ -</u>	<u>\$ -</u>

^(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, 2021 and 2020.

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

- *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, 2021 that will be reinvested in alternative investments in 2022.

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, 2021, 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 12/31/2021</u>
Commingled	\$ 3,888,000	\$ -	Daily	Daily	Yes	Yes
Commingled	16,809,000	-	Monthly	Monthly	Yes	Yes
Commingled	<u>1,388,000</u>	-	Quarterly	Quarterly	Yes	Yes
	<u>\$ 22,085,000</u>					
Hedge funds ^(a)	\$ 670,000	\$ -	Monthly	Monthly	Yes	Yes
Hedge funds ^(a)	2,786,000	-	Quarterly	Quarterly	Yes	Yes
Hedge funds ^(a)	569,000	-	Annually	Annually	Yes	Yes
Hedge funds ^(a)	<u>68,000</u>	-	N/A	N/A	N/A	N/A
	<u>\$ 4,093,000</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, 2021 and 2020

The table below presents additional information for the Foundation's investments, as of December 31, 2020, 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 12/31/2020</u>
Commingled	\$ 2,692,000	\$ -	Daily	Daily	Yes	Yes
Commingled	15,036,000	-	Monthly	Monthly	Yes	Yes
Commingled	<u>1,788,000</u>	-	Quarterly	Quarterly	Yes	Yes
	<u>\$ 19,516,000</u>					
Hedge funds ^(a)	\$ 2,136,000	\$ -	Quarterly	Quarterly	Yes	Yes
Hedge funds ^(a)	567,000	-	Annually	Annually	Yes	Yes
Hedge funds ^(a)	<u>63,000</u>	-	N/A	N/A	N/A	N/A
	<u>\$ 2,766,000</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>2021</u>	<u>2020</u>
Unrealized gains	\$ 2,636,000	\$ 3,305,000
Realized gains	1,824,000	611,000
Reinvested dividends	300,000	178,000
Reinvested interest	39,000	57,000
Investment fees	<u>(135,000)</u>	<u>(110,000)</u>
	<u>\$ 4,664,000</u>	<u>\$ 4,041,000</u>

NOTE D - OTHER CURRENT ASSETS

Other current assets are comprised of the fair market value of aircraft donated to the Foundation totaling \$47,000 for December 31, 2020.

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, 2021 and 2020

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Software	\$ 63,000	\$ -
Accumulated depreciation	<u>(17,000)</u>	<u>-</u>
	<u>\$ 46,000</u>	<u>\$ -</u>

Depreciation expense was \$17,000 and \$0 for 2021 and 2020, respectively.

NOTE F - NET ASSETS WITHOUT DONOR RESTRICTIONS

The Foundation's net assets without donor restrictions at December 31, 2021 and 2020 totaled \$25,631,000 and \$21,719,000, respectively. The net assets without donor restrictions included Board of Trustees designated net assets of \$2,589,000 for 2021 and 2020.

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Subject to endowment spending policy and appropriation:		
Educational programs	\$ 12,584,000	\$ 11,603,000
Subject to expenditures for specified purpose:		
Growing the pilot population	8,678,000	7,447,000
Foundation operations	1,118,000	13,000
Future year unrestricted	<u>237,000</u>	<u>454,000</u>
	<u>10,033,000</u>	<u>7,914,000</u>
Total net assets with donor restrictions	<u>\$ 22,617,000</u>	<u>\$ 19,517,000</u>

For the years ended December 31, 2021 and 2020, net assets of \$4,883,000 and \$5,945,000, 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 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

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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 requires the Foundation to retain as a fund of perpetual duration. There were no funds with deficiencies at December 31, 2021 and 2020.

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

	2021		Total
	Net Assets Without Restrictions	Net Assets With Restrictions	
Donor-restricted endowment funds	\$ 3,693,000	\$ 12,584,000	\$ 16,277,000
Total funds	<u>\$ 3,693,000</u>	<u>\$ 12,584,000</u>	<u>\$ 16,277,000</u>
Endowment net assets, beginning of year	\$ 2,704,000	\$ 11,604,000	\$ 14,308,000
Investment return:			
Interest and dividends	102,000	-	102,000
Net realized and unrealized gain on investments	1,351,000	-	1,351,000
Total investment return	1,453,000	-	1,453,000
Amounts appropriated for expenditure	464,000	-	464,000
Contributions received	-	980,000	980,000
Endowment net assets, end of year	<u>\$ 3,693,000</u>	<u>\$12,584,000</u>	<u>\$ 16,277,000</u>

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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

	2020		Total
	Net Assets Without Restrictions	Net Assets With Restrictions	
Donor-restricted endowment funds	\$ 2,704,000	\$ 11,604,000	\$ 14,308,000
Total funds	<u>\$ 2,704,000</u>	<u>\$ 11,604,000</u>	<u>\$ 14,308,000</u>
Endowment net assets, beginning of year	\$ 1,845,000	\$ 11,182,000	\$ 13,027,000
Investment return:			
Interest and dividends	74,000	-	74,000
Net realized and unrealized gain on investments	1,232,000	-	1,232,000
Total investment return	1,306,000	-	1,306,000
Amounts appropriated for expenditure	447,000	-	447,000
Contributions received	-	422,000	422,000
Endowment net assets, end of year	<u>\$ 2,704,000</u>	<u>\$ 11,604,000</u>	<u>\$ 14,308,000</u>

NOTE H - LONG-TERM OBLIGATIONS

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

	2021	2020
Charitable gift annuities (Note I)	\$ 297,000	\$ 311,000
	<u>\$ 297,000</u>	<u>\$ 331,000</u>

NOTE I - 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% to 4.2%.

NOTE J - 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. Contribution expense under the DC Plan was \$105,000 and \$27,000 for the years ended December 31, 2021 and 2020, respectively.

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

The Foundation makes a matching contribution to the 401(k) portion of the DC Plan. For the years ended December 31, 2021 and 2020, matching contributions were \$109,000 offset by \$36,000 in forfeitures and \$35,000, respectively.

NOTE K - 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 \$1,621,000 and \$602,000 in 2021 and 2020, respectively. The amount payable to the Association at December 31, 2021 and 2020 was \$814,000 and \$297,000, respectively, and is included in the accompanying statements of financial position.

NOTE L - 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>2021</u>	<u>2020</u>
Education	\$ 1,277,000	\$ 1,029,000
Fundraising	<u>782,000</u>	<u>840,000</u>
Total joint costs	<u>\$ 2,059,000</u>	<u>\$ 1,869,000</u>

NOTE M - RISKS AND UNCERTAINTIES

COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. The spread of COVID-19 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Foundation is unable to determine if it will have a material impact on its operations.

NOTE N - SUBSEQUENT EVENTS

The Foundation evaluated its financial statements for subsequent events through April 19, 2022, 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, 2021.