

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

**Aircraft Owners and Pilots Association and
Affiliates**

December 31, 2025 and 2024

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Aircraft Owners and Pilots Association and Affiliates

Opinion

We have audited the consolidated financial statements of Aircraft Owners and Pilots Association and Affiliates (collectively, the "Association"), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2025 and 2024, and the changes in its net assets 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 consolidated 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 Association 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 Association'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information for the year ended December 31, 2025 is presented for purposes of additional analysis, rather than to present the financial position, changes in net assets, and cash flows of the individual affiliates, and is not a required part of the 2025 consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Washington, D.C.
May 5, 2026

Aircraft Owners and Pilots Association and Affiliates
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 7,738,000	\$ 8,597,000
Restricted cash	1,223,000	1,382,000
Contract fees and other receivables, net	819,000	588,000
Advertising and services receivables, net	308,000	256,000
Prepaid expenses	1,643,000	1,474,000
Investments, at fair market value	143,687,000	126,153,000
Property and equipment, net	4,370,000	7,946,000
Right-of-use assets - operating	2,435,000	2,798,000
Other assets	60,000	92,000
	\$ 162,283,000	\$ 149,286,000
Total assets		
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 625,000	\$ 417,000
Accrued expenses	4,049,000	4,120,000
Deferred revenue - membership dues and subscriptions	9,027,000	9,444,000
Deferred revenue - pilot protection services	3,158,000	3,188,000
Deferred revenue - other revenue	883,000	922,000
Lease liabilities - operating	2,795,000	3,180,000
AOPA lifetime memberships	2,067,000	2,047,000
Deferred compensation and retirement plan accruals	291,000	1,046,000
Other obligations	340,000	396,000
Financing loan payable	1,723,000	1,890,000
	24,958,000	26,650,000
Total liabilities		
Net assets without donor restrictions	137,325,000	122,636,000
Total liabilities and net assets	\$ 162,283,000	\$ 149,286,000

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

Aircraft Owners and Pilots Association and Affiliates

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended December 31,

	<u>2025</u>	<u>2024</u>
Revenues		
Program services		
Membership dues and subscriptions	\$ 18,475,000	\$ 19,321,000
Advertising fees	4,340,000	4,932,000
Commissions and royalties	3,990,000	4,363,000
Products and services	<u>6,013,000</u>	<u>5,907,000</u>
	32,818,000	34,523,000
Contributions, contracts, and grants	3,402,000	3,590,000
Gain on sale of building	2,615,000	-
Other income	<u>2,753,000</u>	<u>2,965,000</u>
	<u>41,588,000</u>	<u>41,078,000</u>
Expenses		
Program services		
Mission	35,887,000	35,693,000
Products and services	<u>5,801,000</u>	<u>6,285,000</u>
	41,688,000	41,978,000
Support services		
General and administrative	3,283,000	3,401,000
Fundraising	<u>1,113,000</u>	<u>851,000</u>
	<u>4,396,000</u>	<u>4,252,000</u>
	<u>46,084,000</u>	<u>46,230,000</u>
Change in net assets from operating activities	(4,496,000)	(5,152,000)
Non-operating activities		
Return on investments, net	<u>19,320,000</u>	<u>14,264,000</u>
Total non-operating activities	<u>19,320,000</u>	<u>14,264,000</u>
Change in net assets from operating and non-operating activities, before income taxes	14,824,000	9,112,000
Income tax provision	<u>135,000</u>	<u>104,000</u>
CHANGE IN NET ASSETS	14,689,000	9,008,000
Net assets, beginning of year	<u>122,636,000</u>	<u>113,628,000</u>
Net assets, end of year	<u><u>\$ 137,325,000</u></u>	<u><u>\$ 122,636,000</u></u>

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

Aircraft Owners and Pilots Association and Affiliates
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2025

	Program Services			Support Services			Total Expenses
	Mission	Products and Services	Total	General and Administrative	Fundraising	Total	
Compensation and benefits	\$ 20,885,000	\$ 3,200,000	\$ 24,085,000	\$ 1,365,000	\$ 103,000	\$ 1,468,000	\$ 25,553,000
Professional services and software fees	5,452,000	1,949,000	7,401,000	489,000	255,000	744,000	8,145,000
Production and distribution	3,394,000	92,000	3,486,000	95,000	506,000	601,000	4,087,000
Meetings, events and membership	2,653,000	167,000	2,820,000	26,000	204,000	230,000	3,050,000
Regulatory fees	1,584,000	336,000	1,920,000	183,000	35,000	218,000	2,138,000
Rentals and maintenance	764,000	1,000	765,000	825,000	5,000	830,000	1,595,000
Depreciation	1,015,000	26,000	1,041,000	300,000	5,000	305,000	1,346,000
Contributions	140,000	30,000	170,000	-	-	-	170,000
Total expenses reported by function	\$ 35,887,000	\$ 5,801,000	\$ 41,688,000	\$ 3,283,000	\$ 1,113,000	\$ 4,396,000	\$ 46,084,000

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

Aircraft Owners and Pilots Association and Affiliates
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2024

	Program Services			Support Services			Total Expenses
	Mission	Products and Services	Total	General and Administrative	Fundraising	Total	
Compensation and benefits	\$ 20,106,000	\$ 3,909,000	\$ 24,015,000	\$ 1,385,000	\$ 99,000	\$ 1,484,000	\$ 25,499,000
Professional services and software fees	6,118,000	1,603,000	7,721,000	444,000	233,000	677,000	8,398,000
Production and distribution	3,348,000	245,000	3,593,000	105,000	358,000	463,000	4,056,000
Meetings, events and membership	2,718,000	191,000	2,909,000	6,000	122,000	128,000	3,037,000
Regulatory fees	1,385,000	284,000	1,669,000	197,000	33,000	230,000	1,899,000
Rentals and maintenance	743,000	4,000	747,000	800,000	1,000	801,000	1,548,000
Depreciation	1,005,000	48,000	1,053,000	464,000	5,000	469,000	1,522,000
Contributions	270,000	1,000	271,000	-	-	-	271,000
Total expenses reported by function	\$ 35,693,000	\$ 6,285,000	\$ 41,978,000	\$ 3,401,000	\$ 851,000	\$ 4,252,000	\$ 46,230,000

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

Aircraft Owners and Pilots Association and Affiliates

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets	\$ 14,689,000	\$ 9,008,000
Adjustments to reconcile change in net assets to net cash, including restricted cash, used in operating activities:		
Gain on sale of building	(2,615,000)	(185,000)
Unrealized gains	(9,262,000)	(6,202,000)
Realized gains	(9,491,000)	(7,441,000)
Investment fees	820,000	791,000
Depreciation	1,346,000	1,522,000
Amortization	-	16,000
Loss (gain) from interest-rate swap agreement	51,000	(12,000)
Changes in operating assets and liabilities:		
Receivables	(283,000)	415,000
Prepaid expenses	(169,000)	29,000
Other assets	32,000	(16,000)
Right-of-use assets - operating	363,000	(61,000)
Accounts payable	208,000	(220,000)
Accrued expenses	(71,000)	(35,000)
Lease liabilities - operating	(385,000)	48,000
Deferred revenue	(486,000)	(445,000)
Other obligations	(791,000)	372,000
	<u>(6,044,000)</u>	<u>(2,416,000)</u>
Cash flows from investing activities		
Proceeds from sales of investments	101,576,000	103,546,000
Purchases of investments	(101,228,000)	(98,049,000)
Proceeds from sale of building - transferred to investments	5,250,000	-
Proceeds from sale of property and equipment	59,000	240,000
Purchases of property and equipment	<u>(464,000)</u>	<u>(369,000)</u>
	<u>5,193,000</u>	<u>5,368,000</u>
Cash flows from financing activities		
Repayment on loans and leases	<u>(167,000)</u>	<u>(157,000)</u>
	<u>(167,000)</u>	<u>(157,000)</u>
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,018,000)	2,795,000
Cash, cash equivalents, and restricted cash, beginning of year	<u>9,979,000</u>	<u>7,184,000</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 8,961,000</u>	<u>\$ 9,979,000</u>
Supplemental disclosure of cash flow information		
Interest paid during the year	<u>\$ 90,000</u>	<u>\$ 98,000</u>
Income taxes paid during the year	<u>\$ 166,000</u>	<u>\$ 134,000</u>

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

Aircraft Owners and Pilots Association and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

The Aircraft Owners and Pilots Association (“AOPA”), a non-profit tax-exempt individual membership association, preserves the freedom to fly by fostering the health of general aviation worldwide, providing its members with high value products and services, and attracting the financial support to make it all happen.

The accompanying consolidated financial statements include the accounts of AOPA and its wholly owned taxable subsidiary AOPA Holdings Corporation (“AHC”) and its affiliate AOPA Political Action Committee (“PAC”) (collectively, the “Association”). AHC coordinates the delivery of products and services to AOPA members and pilots, provides marketing services related to the Association’s products and services, and engages in business activities to provide support for AOPA’s mission. AOPA’s program services include two programs: mission and product and services. AOPA’s mission activities include advocacy and representation, publications, member engagement and member development. PAC is a federal political action committee that solicits contributions from donors and contributes to the political campaigns of federal election candidates.

Basis of Accounting

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

The consolidated financial statements include the accounts of AOPA and its affiliates. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Association considers all highly liquid financial instruments with original maturities of three months or less when purchased to be cash equivalents, except for short-term investments managed by the Association’s investment manager as part of its long-term investment strategies.

Restricted Cash

Restricted cash includes PAC contributions of \$1,223,000 and \$1,382,000 at December 31, 2025 and 2024, respectively. The funds are restricted as to use by PAC federal campaign activities.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows for the years ended December 31, 2025 and 2024:

	2025	2024
Cash and cash equivalents	\$ 7,738,000	\$ 8,597,000
Restricted cash	1,223,000	1,382,000
	\$ 8,961,000	\$ 9,979,000

Concentration of Credit Risk

Financial instruments that potentially subject the Association to a concentration of credit risk include cash deposits, money market accounts and savings accounts with financial institutions. The Association’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”).

Aircraft Owners and Pilots Association and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2025 and 2024

From time to time, the Association maintains cash balances with financial institutions which may exceed federally insured limits. The Association has not experienced any credit losses and management does not consider this to be a significant risk.

Liquidity

The Association's financial assets available for one year for general expenditures at December 31, 2025 and 2024 totaled \$15,433,000 and \$14,161,000, respectively. The financial assets are not subject to contractual restrictions that make them unavailable for general expenditure within one year. The accounts receivable is subject to implied time restrictions but are expected to be collected within one year. See also Note E for information regarding the Association's available line of credit to supplement liquidity as needed.

In addition, the Association currently holds long-term investments totaling approximately \$137,119,000 and \$121,433,000 as of December 31, 2025 and 2024, respectively. Although a portion of these investments are redeemable within one year, they are primarily intended to be held for long-term investment purposes and, therefore, are not considered available for general expenditure within one year. These amounts are not included in the liquidity table below.

	2025	2024
Cash and cash equivalents	\$ 7,738,000	\$ 8,597,000
Cash and cash equivalents - investments	4,842,000	1,690,000
Money market funds - investments	1,736,000	3,030,000
Contract fees and other receivables, net	819,000	588,000
Advertising and services receivables, net	308,000	256,000
Financial assets available within one year	\$ 15,443,000	\$ 14,161,000

Investments

The Association reports investments in money market funds, mutual funds, bond-backed mutual funds, and alternative investments at fair value as of the reporting date.

Investment gains and losses, net of management fees, are included in the consolidated statement of activities and are reported as part of non-operating activities. Investment purchase and sale transactions are recorded on a trade-date basis. Interest and dividends are recognized as earned.

Legal Service Plan

The Association provides a Legal Service Plan through the Pilot Protection Service whereby enrolled members receive certain legal services in connection with aviation tax matters, aviation contractual issues, and alleged violations of regulations as administered by the Federal Aviation Administration. Revenues are recognized on a pro-rata basis over the period of Pilot Protection Service participation. At December 31, 2025 and 2024, \$340,000 and \$362,000, respectively, was accrued for estimated claims and related costs under the plan.

Aircraft Owners and Pilots Association and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2025 and 2024

Net Assets

To ensure adherence with donor restrictions placed on the resources available to the Association, the Association'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 consolidated 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. Net assets without donor restrictions are a result of operations and, accordingly, are available to meet the general operating needs of the Association.
- Net assets with donor restrictions contain donor-imposed restrictions that permit the Association to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Association. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support in the consolidated statement of activities. The Association had no net assets with donor restrictions at December 31, 2025 and 2024.

Revenue Recognition

The Association recognizes revenue from contracts with customers when control of the promised goods or services are transferred to outside parties in an amount that reflects the consideration the Association expects to be entitled to in exchange for those goods or services.

A description of the Association's revenue categories from contracts with customers follows:

- Membership dues, subscriptions, and products and services revenues are recognized over the period that member services are provided.
- Advertising fees are recognized in the period in which the advertisements appear in the Association's media channels.
- Contract royalty and marketing fees are recognized over time as performance obligations are satisfied per each contract.
- Aviation Finance Brokerage commission income is recorded at the closing date of the loan or periodically, as payments are received.
- Sponsorship revenue is considered earned when the Association has substantially met its obligations in accordance with the terms of sponsorship agreement.
- Educational revenue is recognized as training and educational courses are completed or after two years of enrollment, whichever is sooner.
- The Association amortizes the lifetime membership liability based on the remaining life expectancy of the participant base, which is evaluated on an annual basis.

Contributions that are received with donor stipulations that limit their use either through purpose or time restrictions are recorded as revenue with donor restrictions. Conditional promises to give contain a right of return or right of release from the obligation to transfer and are not recognized until all conditions (barriers) are substantially met.

Aircraft Owners and Pilots Association and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2025 and 2024

Accounts Receivable

The carrying value of the Association's receivables, net of the allowance for credit losses, represents their estimated net realizable value. The Association records an allowance for current expected credit losses based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of members and vendors to pay the amounts due. The Association writes-off receivable balances against the allowance for credit losses when it is determined a receivable is uncollectible.

Prepaid Expenses

Payments in advance of the receipt of goods and services are recorded as prepaids and recognized as expense when the related goods and services are received.

Income Taxes

Under the provisions of the Internal Revenue Code (the "Code") Section 501(c)(4) and the applicable local income tax regulations, the Association is exempt on income other than unrelated business income and income derived from its taxable subsidiary AHC. For the years ended December 31, 2025, 2024, 2023, 2022, and 2021, the Association generated unrelated business income. Taxes associated with such income are included within the consolidated tax provision.

Deferred income taxes are provided for temporary differences in the recognition of certain income and expenses for financial and tax reporting. These temporary differences relate to accrued expenses, net operating loss carryover, deferred compensation, contribution carryover, depreciation, and bad debt reserves.

PAC is an exempt organization under the Code Section 527.

The Association 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 Association 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 Association has determined that there are no material uncertain tax positions that require recognition or disclosure in the accompanying consolidated 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 to each program based on direct costs incurred. Expenses are presented by natural and functional classification in the consolidated statement of functional expenses.

Use of Estimates

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

Aircraft Owners and Pilots Association and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2025 and 2024

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 Association classifies its assets and liabilities into Level 1 (securities valued using quoted prices from active markets for identical assets as of the measurement date), 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 their 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 such fair values are estimated using pricing models, matrix pricing, or discounted cash flow models. The Association 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 Association 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 Association’s consolidated financial statements.

Measure of Operations

The change in net assets from operating activities reflected on the accompanying consolidated statements of activities includes primarily activities closely related to mission and product and services functions of the Association. Amounts not included in the measure of operations consists of net return on investments.

NOTE B - INVESTMENTS

The components of the Association’s investment portfolio are as follows at December 31:

	<u>2025</u>	<u>2024</u>
Alternative investments	\$ 89,785,000	\$ 87,739,000
Common stock and mutual funds	26,010,000	14,327,000
Bond-backed mutual funds	21,314,000	19,367,000
Cash and cash equivalents	4,873,000	1,690,000
Money market funds	1,736,000	3,030,000
Securities in-transit	(31,000)	-
	<u>\$ 143,687,000</u>	<u>\$ 126,153,000</u>

Aircraft Owners and Pilots Association and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2025 and 2024

Investments are measured at fair value as of December 31 based on the following levels of hierarchy:

	2025	
	Level 1	Total
Common stock and mutual funds	\$ 26,010,000	\$ 26,010,000
Bond-backed mutual funds	21,314,000	21,314,000
Money market funds	1,736,000	1,736,000
	\$ 49,060,000	49,060,000
Alternative investments reported at NAV ^(a)		89,785,000
Cash and cash equivalents		4,873,000
Securities in-transit		(31,000)
Total		\$ 143,687,000
	2024	
	Level 1	Total
Common stock and mutual funds	\$ 14,327,000	\$ 14,327,000
Bond-backed mutual funds	19,367,000	19,367,000
Money market funds	3,030,000	3,030,000
	\$ 36,724,000	36,724,000
Alternative investments reported at NAV ^(a)		87,739,000
Cash and cash equivalents		1,690,000
Total		\$ 126,153,000

^(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 consolidated 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, 2025 and 2024.

Money market funds, bond-backed mutual funds, common stock 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, hedge funds, or private equity funds, which are valued by applying the Association's ownership percentage in the partnership to the total value of the underlying investments of the fund.

Aircraft Owners and Pilots Association and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2025 and 2024

The table below presents additional information for the Association's investments, as of December 31, 2025 and 2024, whose fair value is estimated using the practical expedient of reported net asset value ("NAV").

	2025			
	Number of Funds	Fair Value	Unfunded Commitments	Redemption Terms
Commingled ^(a)	3	\$ 16,556,000	\$ -	Daily
Commingled ^(a)	8	48,089,000	-	Monthly
Commingled ^(a)	2	9,053,000	-	Quarterly
Hedge funds ^(a)	7	9,313,000	-	Quarterly
Hedge funds ^(a)	3	4,919,000	-	Annually
Hedge funds ^(a)	1	197,000	-	N/A
Private equity ^(a)	6	1,658,000	2,469,000	N/A
Total alternative investments	30	\$ 89,785,000	\$ 2,469,000	

	2024			
	Number of Funds	Fair Value	Unfunded Commitments	Redemption Terms
Commingled ^(a)	3	\$ 12,048,000	\$ -	Daily
Commingled ^(a)	8	48,336,000	-	Monthly
Commingled ^(a)	2	8,693,000	-	Quarterly
Hedge funds ^(a)	1	4,574,000	-	Monthly
Hedge funds ^(a)	7	7,137,000	-	Quarterly
Hedge funds ^(a)	3	5,045,000	-	Annually
Hedge funds ^(a)	4	289,000	-	N/A
Private equity ^(a)	7	1,617,000	2,757,000	N/A
Total alternative investments	35	\$ 87,739,000	\$ 2,757,000	

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

Return on investments consist of the following for the year ended December 31:

	2025	2024
Realized gains	\$ 9,491,000	\$ 7,441,000
Unrealized gains	9,262,000	6,202,000
Reinvested dividends and interest	1,438,000	1,400,000
Investment expenses relating to deferred compensation and retention arrangements	(349,000)	(334,000)
Investment fees	(471,000)	(457,000)
Change in fair value of interest-rate swap agreement	(51,000)	12,000
	\$ 19,320,000	\$ 14,264,000

Aircraft Owners and Pilots Association and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2025 and 2024

NOTE C - PROPERTY AND EQUIPMENT, NET

Property and equipment are recorded at cost and are depreciated using the straight-line method over estimated useful lives as follows:

Building and improvements	5 - 35 years
Aircraft	5 - 30 years
Equipment, vehicles, and other	3 - 10 years

Property and equipment, net, consist of the following at December 31:

	2025	2024
Building and improvements	\$ 8,116,000	\$ 14,572,000
Equipment, vehicles, and other	9,812,000	11,639,000
Aircraft	4,184,000	3,994,000
Land and improvements	638,000	1,279,000
Assets in progress	37,000	51,000
	22,787,000	31,535,000
Less: accumulated depreciation	(18,417,000)	(23,589,000)
	\$ 4,370,000	\$ 7,946,000

Depreciation totaled \$1,346,000 and \$1,522,000 for years ended December 31, 2025 and 2024, respectively.

Fixed assets with an original cost of \$9,212,000 and accumulated depreciation of \$6,518,000 were disposed of during 2025. A majority of the disposals related to the sale of the Association's building located at 411 Aviation Way, which was sold in September 2025. The carrying value of the assets sold was removed from the 2025 consolidated statement of financial position, and the resulting gain on the sale is reflected in the 2025 consolidated statement of activities.

NOTE D - INCOME TAXES

The income tax provision consists of the following for the years ended December 31:

	2025	2024
Current	\$ 135,000	\$ 104,000

Aircraft Owners and Pilots Association and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2025 and 2024

Deferred tax assets consist of the following as of December 31:

	2025	2024
Net operating losses	\$ 564,000	\$ 611,000
Accrued legal service plan	94,000	100,000
Other	43,000	68,000
Accrued paid time off and other payroll	22,000	22,000
Valuation allowance	(723,000)	(801,000)
	\$ -	\$ -

Income taxes paid totaled \$166,000 and \$134,000 for the years ended December 31, 2025 and 2024, respectively.

NOTE E - FINANCING

In July 2020, the Association entered into a discretionary demand line of credit note agreement with U.S. Bank National Association in the amount of \$5,000,000 which is secured by investments. The Association did not draw on the line of credit as of December 31, 2025.

In February 2019, the Association entered into a financing agreement with 1st Source Bank in the amount of \$2,714,000 which is secured by the financed aircraft with an outstanding balance of \$1,723,000 as of December 31, 2025.

At December 31, 2025, future minimum payments are as follows:

2026	\$ 257,000
2027	257,000
2028	256,000
2029	1,180,000
Total	1,950,000
Less: effects of discounting	(227,000)
Total financing loan payable	\$ 1,723,000

The Association entered into an interest-rate swap agreement, with an effective date of February 25, 2019.

The Association agreed to swap its variable interest rate of one month of Secured Overnight Financing Rate plus 2.16% for a fixed rate equal to 4.88%. The fair value of the interest-rate swap agreement was recorded on the consolidated statements of financial position and the change in fair value is recorded in the consolidated statements of activities.

Aircraft Owners and Pilots Association and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2025 and 2024

As of and for the years ended December 31, 2025 and 2024, amounts included within the consolidated financial statements relating to the interest-rate swap agreement are as follows:

<u>Effective Date</u>	<u>Notational Amount</u>	<u>Rate</u>	<u>Termination Date</u>	<u>Fair Value at December 31, 2025</u>	<u>Fair Value at December 31, 2024</u>
February 25, 2019	\$ 1,723,000	4.88%	February 15, 2029	\$ 26,000	\$ 77,000

NOTE F - COMMITMENTS

The Association has non-cancelable operating leases for building space and equipment. The Association determines if an arrangement is a lease or contains a lease at a contract's inception. A contract is determined to be or contain a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Association has elected the practical expedient to not separate lease and non-lease components. The Association made the election to use the risk-free discount rate for a comparable term for all leases. The Association's lease agreements do not contain any residual value guarantees or material restrictive covenants and are based solely on fixed payment agreements. The Association does not have finance or short-term leases to disclose.

Total operating lease cost for the years ended December 31, 2025 and 2024 totaled \$528,000 and \$555,000, respectively. Supplemental quantitative information related to operating leases for the years ended December 31 is as follows:

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease obligations	\$ 493,000	\$ 475,000
Weighted-average remaining lease term (expressed in years)	6.48	7.41
Weighted-average discount rate	2.18%	2.22%

Minimum future lease payments under non-cancelable leases having remaining terms in excess of one year as of December 31, 2025, are as follows:

<u>Years Ending December 31,</u>	
2026	\$ 477,000
2027	504,000
2028	444,000
2029	362,000
2030	318,000
Thereafter	<u>743,000</u>
Total minimum lease payments	2,848,000
Less: effects of discounting	<u>(53,000)</u>
Present value of future minimum lease payments	<u>\$ 2,795,000</u>

Aircraft Owners and Pilots Association and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2025 and 2024

NOTE G - EMPLOYEE BENEFIT PLANS

Defined Contribution Plan

The Association provides its employees with an AOPA Employee's 401(k) Retirement Plan (the "DC Plan"). 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 the years ended December 31, 2025 and 2024, contribution expense under the DC Plan totaled \$496,000 and \$499,000, respectively.

The Association makes a matching contribution to the 401(k) portion of the DC Plan. For the years ended December 31, 2025 and 2024, matching contributions totaled \$699,000 and \$693,000, respectively.

Other Deferred Compensation Plan

The Association entered into various deferred compensation/retirement agreements with certain executives. For years ended December 31, 2025 and 2024, amounts due and funded under these arrangements totaled \$250,000 and \$940,000, respectively. As of December 31, 2024, all investments held in these funds were classified as Level 1 within the fair value hierarchy. During 2025, the deferred compensation investment accounts were liquidated, resulting in full distribution to one participant, with the remaining participants' funds held in cash at December 31, 2025 and paid in January 2026.

NOTE H - RELATED-PARTY TRANSACTIONS

Certain officers and trustees of AOPA Foundation, Inc. are also officers and trustees of the Association. The Association provides various administrative support and other services to AOPA Foundation, Inc. Charges for these services totaled \$2,644,000 and \$2,686,000 in 2025 and 2024, respectively. The Association received grants from AOPA Foundation, Inc. in the amount of \$1,500,000 in 2025 and 2024, respectively, which is included in the contributions, contracts, and grants line item on the consolidated statements of activities. The amount due from the AOPA Foundation, Inc. at December 31, 2025 and 2024 totaled \$452,000 and \$235,000, respectively, and is included in accounts receivable in the consolidated statements of financial position.

NOTE I - SUBSEQUENT EVENTS]

The Association evaluated its December 31, 2025 consolidated financial statements for subsequent events through May 5, 2026, the date the consolidated financial statements were available to be issued and concluded that there are no additional disclosures required.

SUPPLEMENTARY INFORMATION

Aircraft Owners and Pilots Association and Affiliates

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended December 31, 2025

	<u>AOPA</u>	<u>PAC</u>	<u>AHC, net of Eliminating Entries</u>	<u>AOPA Consolidated</u>
Revenues	\$ 37,040,000	\$ 481,000	\$ 4,067,000	\$ 41,588,000
Expenses	<u>42,061,000</u>	<u>638,000</u>	<u>3,385,000</u>	<u>46,084,000</u>
Change in net assets from operating activities	<u>(5,021,000)</u>	<u>(157,000)</u>	<u>682,000</u>	<u>(4,496,000)</u>
Non-operating activities				
Return on investments, net	<u>19,284,000</u>	<u>31,000</u>	<u>5,000</u>	<u>19,320,000</u>
Total non-operating activities	14,263,000	(126,000)	687,000	14,824,000
Income tax provision	<u>4,000</u>	<u>9,000</u>	<u>122,000</u>	<u>135,000</u>
CHANGE IN NET ASSETS	14,259,000	(135,000)	565,000	14,689,000
Net assets, beginning of year	<u>125,432,000</u>	<u>1,357,000</u>	<u>(4,153,000)</u>	<u>122,636,000</u>
Net assets, end of year	<u>\$ 139,691,000</u>	<u>\$ 1,222,000</u>	<u>\$ (3,588,000)</u>	<u>\$ 137,325,000</u>

This schedule should be read in conjunction with the accompanying financial statements and notes thereto and report of independent certified public accountants.