Grant Thornton

Financial Statements and Report of
Independent Certified Public Accountants

The AOPA Foundation, Inc.

December 31, 2014 and 2013

C O N T E N T S

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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, 2014 and 2013, and the related statements of activities and changes in net assets, and statements of 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.

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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, 2014 and 2013, 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.

Other Matters

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation's basic financial statements. The schedule of revenue and operating expenses by natural account for the year ended December 31, 2014 on page 25 is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Grant Thornton LLP

Baltimore, Maryland
April 13, 2015

FINANCIAL STATEMENTS

The AOPA FOUNDATION, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	$ 4,788,000	$ 3,603,000
Accounts receivable	98,000	181,000
Contribution commitments, net of allowance of $753,000 in 2014 and $770,000 in 2013	2,054,000	2,135,000
Prepaid expenses	60,000	66,000
Assets held for sale	75,000	103,000
	7,075,000	6,088,000
Long-term Assets		
Contribution commitments, net of allowance of $445,000 in 2014 and $475,000 in 2013 and net of discount of $1,768,000 in 2014 and $1,872,000 in 2013	2,326,000	2,818,000
Investments, at fair value	26,958,000	25,429,000
Property and equipment, net	150,000	173,000
Total Assets	$ 36,509,000	$ 34,508,000
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 397,000	$ 270,000
Accrued expenses:		
Wages and benefits	263,000	231,000
Other accrued expenses	74,000	56,000
Deferred revenue:		
Course registration	188,000	127,000
	922,000	684,000
Long-term Obligations	459,000	307,000
Total Liabilities	1,381,000	991,000
Net Assets		
Unrestricted net assets	12,711,000	12,837,000
Unrestricted net assets - board designated	2,589,000	2,589,000
Temporarily restricted	9,213,000	7,652,000
Permanently restricted	10,615,000	10,439,000
Total Net Assets	35,128,000	33,517,000
Total Liabilities and Net Assets	$ 36,509,000	$ 34,508,000

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,	**2014**	**2013**
Unrestricted Net Assets		
Revenue		
Contributions	$ 4,048,000	$ 4,351,000
Net assets released from restrictions	2,395,000	4,961,000
Program service revenue	1,333,000	1,207,000
Other income	18,000	92,000
	7,794,000	10,611,000
Expenses		
Education and safety programs	7,526,000	6,574,000
Fundraising	556,000	471,000
Management and general	715,000	470,000
	8,797,000	7,515,000
Changes in net assets from operations	(1,003,000)	3,096,000
Non-operating activity:		
Return on investments, net	878,000	2,298,000
Changes in net assets - unrestricted	(125,000)	5,394,000
Temporarily Restricted Net Assets		
Contributions	3,955,000	1,478,000
Net assets released from restrictions	(2,395,000)	(4,961,000)
Changes in net assets - temporarily restricted	1,560,000	(3,483,000)
Permanently Restricted Net Assets		
Contributions	176,000	451,000
Changes in net assets - permanently restricted	176,000	451,000
Changes in net assets	1,611,000	2,362,000
Net assets, beginning of year	33,517,000	31,155,000
Net assets, end of year	$ 35,128,000	$ 33,517,000

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

The AOPA FOUNDATION, Inc.

STATEMENTS OF CASH FLOWS

Year ended December 31,	2014	2013
Cash Flows from Operating Activities		
Change in net assets	$ 1,611,000	$ 2,362,000
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Return on investments, net	(878,000)	(2,298,000)
Permanently restricted contributions	(176,000)	(451,000)
Depreciation	43,000	37,000
Stock donations	471,000	433,000
Provision for losses on accounts receivable	47,000	189,000
Changes in operating assets and liabilities:		
Receivables	609,000	2,848,000
Prepaid expenses	6,000	(21,000)
Assets held for sale	28,000	17,000
Accounts payable	127,000	(27,000)
Accrued wages and benefits	32,000	(11,000)
Other accrued expenses	18,000	(40,000)
Deferred revenue	61,000	19,000
Long-term obligations	152,000	(866,000)
Net cash provided by operating activities	2,151,000	2,191,000
Cash Flows from Investing Activities		
Proceeds from sales of investments	2,033,000	33,563,000
Purchases of investments	(3,155,000)	(34,417,000)
Purchase of property and equipment	(20,000)	(111,000)
Net cash used in investing activities	(1,142,000)	(965,000)
Cash Flows from Financing Activities		
Permanently restricted contributions	176,000	451,000
Net cash provided by financing activities	176,000	451,000
Net change in cash and cash equivalents	1,185,000	1,677,000
Cash and cash equivalents, beginning of year	3,603,000	1,926,000
Cash and cash equivalents, end of year	$ 4,788,000	$ 3,603,000

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

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.

Program expenses were incurred to support the following initiatives:

	2014	2013
Safety education and outreach	$4,832,000	$4,386,000
Airport preservation	1,318,000	673,000
Growing the pilot population	619,000	1,195,000
General aviation image	757,000	320,000
Total program expenses	$7,526,000	$6,574,000

In 2014, the Foundation connected with 1,629,000 individuals through the Air Safety Institute's (ASI) safety quizzes, seminars, flight instructor refresher clinics, webinars, and PSAs. The Foundation granted $1,505,000 to the Aircraft Owners and Pilots Association ("AOPA") to support programs focused on improving the image of general aviation, the preservation of airports, developing flying clubs and flight training materials, and the AOPA AV8RS program. An additional $100,000 was provided to ten aviation-related 501(c)(3) organizations to further their mission.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 three net asset categories: unrestricted, temporarily restricted, and permanently restricted.

- Unrestricted net assets 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 unrestricted net assets of the Foundation as a board designated fund.

- Temporarily restricted net assets 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.

- Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Foundation to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

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 temporarily restricted 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 ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets 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.

Basis of Accounting

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

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 investments intended to be held for long-term purposes.

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, 2014 were approximately $4,364,000. These funds are maintained for traditionally high first quarter funding requirements.

Reclassification

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation.

Investments

The Foundation reports investments in money market funds, mutual funds, equity and debt securities, 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.

Educational Revenue Recognition

Educational revenue is recognized as training and educational courses are completed or after two years of enrollment, whichever is sooner.

Income Taxes

The Foundation is recognized as exempt on income other than unrelated business income under Section 501(c)(3) of the Internal Revenue Code ("IRC") and is classified as an organization that is not a private foundation as defined in Section 509(a) of the IRC. For the year ended December 31, 213, the Foundation did not generate unrelated business income. For the year ended December 31, 2014, the Foundation generated unrelated business income. Taxes associated with this are included within the tax provision.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes - continued

The Foundation recognizes or derecognizes tax positions on a “more likely than not” threshold. This applies to a position taken or expected to be taken in a tax return. The Foundation does not believe it has any material uncertain tax positions.

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.

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 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.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements - continued

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.

Impact of Recent Accounting Standards

There are no recent accounting standards that management believes will impact the Foundation's financial statements.

Measure of Operations

The increase or decrease in net assets from operating activities reflected on the accompanying 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:

	2014	2013
Current:		
One year	$ 2,807,000	$ 2,905,000
Less allowance	(753,000)	(770,000)
	2,054,000	2,135,000
Long-term:		
Two to five years	2,571,000	3,218,000
Greater than five years	1,968,000	1,947,000
Less allowance	(445,000)	(475,000)
Less discounts	(1,768,000)	(1,872,000)
	2,326,000	2,818,000
Total contribution commitments	$ 4,380,000	$ 4,953,000

NOTE C - INVESTMENTS

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

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Common stock and mutual funds	$ 12,898,000	$ 13,914,000	$ 10,281,000	$ 13,223,000
Money market funds	7,972,000	7,972,000	7,283,000	7,283,000
Alternative investments	4,300,000	4,503,000	4,300,000	4,363,000
Bond backed mutual funds	524,000	569,000	303,000	560,000
	$ 25,694,000	$ 26,958,000	$ 22,167,000	$ 25,429,000

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

	Amount	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
2014:				
Common stock mutual funds	$ 13,914,000	$ 13,914,000	$ -	$ -
Money market funds	7,972,000	7,972,000	-	-
Alternative investments	4,503,000	-	2,266,000	2,237,000
Bond backed mutual funds	569,000	569,000	-	-
	$ 26,958,000	$ 22,455,000	$ 2,266,000	$ 2,237,000
2013:				
Common stock mutual funds	$ 13,223,000	$ 13,223,000	$ -	$ -
Money market funds	7,283,000	7,283,000	-	-
Alternative investments	4,363,000	-	2,182,000	2,181,000
Bond backed mutual funds	560,000	560,000	-	-
	$ 25,429,000	$ 21,066,000	$ 2,182,000	$ 2,181,000

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, 2014 and 2013.

- *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.

NOTE C - INVESTMENTS - Continued

- *Alternative investments*: This category includes investments in hedge funds, a funds of funds or private equity 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.

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 following table summarizes the changes in fair value of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2014, including the additional requirement to classify securities by major category defined as the major security type classifications within ASC 320:

	Beginning balance at 1/1/2014	Total realized/ unrealized gains	Purchases, issuances and sales, net	Ending balance at 12/31/2014
Hedge funds and partnerships	$ 2,181,000	$ 56,000	$ -	$ 2,237,000

The following table summarized the changes in fair value of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the year ended December 31, 2013:

	Beginning balance at 1/1/2013	Total realized/ unrealized gains	Purchases, issuances and sales, net	Ending balance at 12/31/2013
Hedge funds and partnerships	$ -	$ 31,000	$ 2,150,000	$ 2,181,000

NOTE C - INVESTMENTS - Continued

The table below presents additional information for the Foundation's investments, as of December 31, 2014, 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:

	Fair value	Unfunded commitments	Expected Liquidation term	Redemption terms	Redemption restrictions	Redemption restrictions at 12/31/2014
Hedge funds [(a)]	$2,237,000	$ -	Quarterly	Quarterly	Yes	Yes

The table below presents additional information for the Foundation's investments, as of December 31, 2013, whose fair value is estimated using the practical expedient of reported net asset value ("NAV").

	Fair value	Unfunded commitments	Expected Liquidation term	Redemption terms	Redemption restrictions	Redemption restrictions at 12/31/2014
Hedge funds [(a)]	$2,181,000	$ -	Quarterly	Quarterly	Yes	Yes

(a) This class includes several hedge funds, funds of 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 by using the NAV per share of the funds.

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

	2014	2013
Unrealized gains	$ 756,000	$ 2,089,000
Reinvested dividends	311,000	356,000
Reinvested interest	1,000	2,000
Investment fees	(54,000)	(35,000)
Realized losses	(136,000)	(114,000)
	$ 878,000	$ 2,298,000

NOTE D - PROPERTY AND EQUIPMENT

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

Equipment, furniture, and other	3-5 years

Property and equipment consisted of the following at December 31:

	2014	2013
Equipment, furniture, and other	$ 466,000	$ 536,000
Assets in progress	-	173,000
	466,000	709,000
Less accumulated depreciation	(316,000)	(536,000)
	$ 150,000	$ 173,000

Depreciation expense was $43,000 and $37,000 for 2014 and 2013, respectively. Leasehold improvements and furniture with an original cost of $251,000 and accumulated depreciation of $216,000 were transferred to AOPA in 2013. There were $263,000 of fully depreciated asset disposals in 2014 and no asset disposals in 2013.

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

The Foundation's temporarily restricted net assets at December 31, 2014 and 2013 totaled $9,213,000 and $7,652,000, respectively. These funds are restricted for use in the following programs:

	2014	2013
Future year unrestricted	$ 3,817,000	$ 4,815,000
Growing the pilot population	3,255,000	517,000
Safety education and outreach	1,781,000	2,151,000
Airport preservation	340,000	150,000
General aviation image	20,000	19,000
	$ 9,213,000	$ 7,652,000

For the years ended December 31, 2014 and 2013 net assets of $2,395,000 and $4,961,000 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.

NOTE F - PERMANENTLY RESTRICTED NET ASSETS

The Foundation's permanently restricted net assets at December 31, 2014 and 2013 totaled $10,615,000 and $10,439,000, respectively. There are no market value requirements on permanently restricted net assets. These funds are permanently restricted in support of the following programs:

	2014	2013
Manuel Maciel Endowment	$ 2,500,000	$ 2,500,000
Elliott Gindi Endowment	1,733,000	1,733,000
Life Hat Program	1,228,000	1,228,000
Plymate Endowment	777,000	756,000
Hilton Foundation Endowment	750,000	750,000
Life Member Program	743,000	743,000
AOPA Affiliates Endowment	715,000	625,000
Bennett Endowment	464,000	464,000
Burger Endowment	400,000	400,000
AOPA Member $1	328,000	328,000
Landsberg Endowment	292,000	286,000
Serrell Endowment	204,000	204,000
Other	225,000	166,000
Minnesota Life Endowment	100,000	100,000
Phil Boyer Endowment	56,000	56,000
Scott William Hudelson Endowment	50,000	50,000
George Bumb Endowment	50,000	50,000
	$ 10,615,000	$ 10,439,000

Endowment

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

NOTE F - PERMANENTLY RESTRICTED NET ASSETS - Continued

Interpretation of Relevant Law

The 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In making decisions regarding the investment and appropriation of appreciation, the organization shall consider 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 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 unrestricted net assets.

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, 2014 and 2013.

The AOPA Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2014 and 2013

NOTE F - PERMANENTLY RESTRICTED NET ASSETS - Continued

<u>Funds with Deficiencies</u> - continued

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

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 1,027,000	$ -	$ 10,615,000	$ 11,642,000
Total funds	$ 1,027,000	$ -	$ 10,615,000	$ 11,642,000
Endowment net assets, beginning of year	$ 1,075,000	$ -	$ 10,439,000	$ 11,514,000
Investment return:				
Interest and dividends	125,000	-	-	125,000
Net realized and unrealized gain on investments	245,000	-	-	245,000
Total investment return	370,000	-	-	370,000
Amounts appropriated for expenditure	418,000	-	-	418,000
Contributions received	-	-	176,000	176,000
Endowment net assets, end of year	$ 1,027,000	$ -	$ 10,615,000	$ 11,642,000

NOTE F - PERMANENTLY RESTRICTED NET ASSETS - Continued

Funds with Deficiencies - continued

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

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 1,075,000	$ -	$ 10,439,000	$ 11,514,000
Total funds	$ 1,075,000	$ -	$ 10,439,000	$ 11,514,000
Endowment net assets, beginning of year	$ 499,000	$ -	$ 9,989,000	$ 10,488,000
Investment return:				
Interest and dividends	150,000	-	-	150,000
Net realized and unrealized gain on investments	826,000	-	-	826,000
Total investment return	976,000	-	-	976,000
Amounts appropriated for expenditure	400,000	-	-	400,000
Contributions received	-	-	450,000	450,000
Endowment net assets, end of year	$ 1,075,000	$ -	$ 10,439,000	$ 11,514,000

NOTE G - UNRESTRICTED NET ASSETS – BOARD DESIGNATED

The Foundation Board of Trustees have designated a portion of unrestricted net assets as follows:

	2014	2013
Beginning of Year Unrestricted Net Assets-Board Designated	$ 2,589,000	$ 2,589,000
End of Year Unrestricted Net Assets-Board Designated	$ 2,589,000	$ 2,589,000

NOTE H - LONG-TERM OBLIGATIONS

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

	2014	2013
Charitable Gift Annuities (Note I)	$ 459,000	$ 307,000
	$ 459,000	$ 307,000

NOTE I - CHARITABLE GIFT ANNUITIES

A portion of long-term obligations is comprised of an annuities liability which represents the liability for future annuity payments due under charitable gift annuities.

Under the charitable gift annuities, donors make contributions to the Foundation, for which they receive an annuity from the Foundation. Contribution revenue is recognized as the excess of the fair value of assets received over the net present value of the future annuity payments due. The liability was determined using the 90CM mortality table and assumed interest rates of 1.6 percent to 4.2 percent. A portion of the monies received from these split-interest agreements is required by law to be reserved for making the annuity payments. At December 31, 2014, the Foundation has investments of $645,000 reserved for paying annuities. The amount required to be reserved was $576,000.

NOTE J - COMMITMENTS

The Foundation has no long-term lease obligations as of December 31, 2014. Rental expense under all operating leases and other rental arrangements was $224,000 and $240,000 for the years ended December 31, 2014 and 2013, respectively.

NOTE K - 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 Board of Trustees. Contribution expense under the DC Plan was $54,000 and $0 for the years ended December 31, 2014 and 2013, respectively.

The Foundation makes a matching contribution to the 401(k) portion of the DC Plan. For the years ended December 31, 2014 and 2013, matching contributions were $85,000 and $111,000, respectively.

NOTE L - RELATED PARTY TRANSACTIONS

Certain officers and trustees of the Foundation are also officers and trustees of AOPA (the "Association"). The Association provides various administrative support services to assist the Foundation in fulfilling its purpose, for which the Foundation was charged $1,237,000 and $962,000 in 2014 and 2013, respectively. The amount payable to the Association at December 31, 2014 and 2013 was $354,000 and $219,000, respectively, and is included in accounts payable on the accompanying statements of financial position. AOPA Insurance Agency, Inc., a subsidiary of the Association, made a contribution of $390,000 and $400,000 to the Foundation for the years ended December 31, 2014 and December 31, 2013, respectively. AOPA Holdings Corporation, a subsidiary of the Association, made a contribution of $128,000 to the Foundation for the year ended December 31, 2013.

NOTE M - 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:

	2014	2013
Education	$ 2,338,000	$ 2,114,000
Fundraising	556,000	471,000
Total Joint Costs	$ 2,894,000	$ 2,585,000

NOTE N - SUBSEQUENT EVENTS

The Foundation evaluated its December 31, 2014 financial statements for subsequent events through April 13, 2015, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

Supplementary Information

The AOPA FOUNDATION, Inc.

SCHEDULE OF OPERATING EXPENSES BY NATURAL ACCOUNT

Year ended December 31, 2014

		Total
Total revenue:	$	7,794,000
Expenses		
Salaries and benefits		2,897,000
Grant expense		1,605,000
Shared cost		1,237,000
Professional fees		1,086,000
Course related expense		541,000
Production costs		421,000
Travel and meetings		249,000
Rent and maintenance		234,000
Distribution costs		225,000
Communications and technology		147,000
Other		71,000
Depreciation and amortization		43,000
Member insurance and premiums		41,000
Total expenses		8,797,000
Changes in unrestricted net assets from operations	$	(1,003,000)

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