Financial Statements and Report of Independent Certified Public Accountants

The AOPA Foundation, Inc.

December 31, 2018 and 2017

Contents

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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, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AOPA Foundation, Inc. as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Arlington, Virginia
May 6, 2019

The AOPA FOUNDATION, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 5,351,000	$ 4,778,000
Accounts receivable, net	-	104,000
Contribution commitments, net	1,260,000	1,591,000
Prepaid expenses	29,000	31,000
Other current assets	237,000	-
	6,877,000	6,504,000
LONG-TERM ASSETS		
Contribution commitments, net	636,000	698,000
INVESTMENTS, AT FAIR VALUE	26,671,000	29,357,000
OTHER ASSETS - Charitable Gift Annuities	349,000	364,000
Total assets	$ 34,533,000	$ 36,923,000

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable	$ 157,000	$ 51,000
Accrued expenses	98,000	141,000
	255,000	192,000
LONG-TERM OBLIGATIONS - Charitable Gift Annuities	349,000	364,000
Total liabilities	604,000	556,000
NET ASSETS		
Without Donor Restrictions	16,997,000	19,282,000
With Donor Restrictions	16,932,000	17,085,000
Total net assets	33,929,000	36,367,000
Total liabilities and net assets	$ 34,533,000	$ 36,923,000

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,

	2018	2017
Revenue		
Contributions	$ 2,466,000	$ 2,884,000
Net assets released from restrictions	5,568,000	5,113,000
Other income	73,000	133,000
	8,107,000	8,130,000
Expenses		
Program Services		
Education	7,281,000	6,399,000
Supporting Services		
Fundraising	802,000	1,516,000
General and administrative	193,000	271,000
	8,276,000	8,186,000
Change in net assets without donor restrictions from operating activities	(169,000)	(56,000)
Non-operating activity		
Return on investments, net	(2,116,000)	4,343,000
Change in net assets without donor restrictions	(2,285,000)	4,287,000
Net assets with donor restrictions		
Contributions	5,415,000	4,727,000
Net assets released from restrictions	(5,568,000)	(5,113,000)
Change in net assets with donor restrictions	(153,000)	(386,000)
Change in net assets	(2,438,000)	3,901,000
Net assets, beginning of year	36,367,000	32,466,000
Net assets, end of year	$ 33,929,000	$ 36,367,000

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

The AOPA FOUNDATION, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31, 2018

	Program Services		Supporting Services			
	Education	Total	Fundraising	General and Administrative	Total	Total
Grants	$ 5,700,000	$ 5,700,000	$ -	$ -	$ -	$ 5,700,000
Compensation and benefits	448,000	448,000	158,000	86,000	244,000	692,000
Administrative support services	584,000	584,000	64,000	15,000	79,000	663,000
Production and distribution	319,000	319,000	246,000	7,000	253,000	572,000
Professional and software fees	125,000	125,000	95,000	73,000	168,000	293,000
Meetings, events and membership	96,000	96,000	137,000	10,000	147,000	243,000
Regulatory fees	9,000	9,000	96,000	2,000	98,000	107,000
Rentals and maintenance	-	-	6,000	-	6,000	6,000
Total expenses reported by function	**$ 7,281,000**	**$ 7,281,000**	**$ 802,000**	**$ 193,000**	**$ 995,000**	**$ 8,276,000**

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

The AOPA FOUNDATION, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31, 2017

	Program Services		Supporting Services			
	Education	Total	Fundraising	General and Administrative	Total	Total
Grants	$ 4,800,000	$ 4,800,000	$ -	$ -	$ -	$ 4,800,000
Compensations and benefits	538,000	538,000	182,000	98,000	280,000	818,000
Administrative support services	525,000	525,000	228,000	20,000	248,000	773,000
Production and distribution	295,000	295,000	393,000	9,000	402,000	697,000
Regulatory fees	10,000	10,000	395,000	4,000	399,000	409,000
Professional and software fees	147,000	147,000	101,000	96,000	197,000	344,000
Meetings, events and membership	84,000	84,000	138,000	23,000	161,000	245,000
Rentals and maintenance	-	-	79,000	-	79,000	79,000
Depreciation and amortization	-	-	-	21,000	21,000	21,000
Total expenses reported by function	$ 6,399,000	$ 6,399,000	$ 1,516,000	$ 271,000	$ 1,787,000	$ 8,186,000

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

The AOPA FOUNDATION, Inc.

STATEMENTS OF CASH FLOWS

Year ended December 31,

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (2,438,000)	$ 3,901,000
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized losses (gains)	2,708,000	(2,730,000)
Realized gains	(499,000)	(1,527,000)
Reinvested dividends and interest, net	(93,000)	(86,000)
Endowment contributions	(250,000)	(80,000)
Depreciation	-	21,000
Stock donations	352,000	1,167,000
Changes in operating assets and liabilities:		
Receivables	497,000	409,000
Prepaid expenses	2,000	9,000
Other assets	(237,000)	232,000
Accounts payable	106,000	(52,000)
Accrued expenses	(43,000)	(245,000)
Deferred revenue	-	(181,000)
Long-term obligations	(15,000)	(16,000)
Net cash provided by operating activities	90,000	822,000
Cash flows from investing activities:		
Proceeds from sales of investments	8,275,000	18,749,000
Purchases of investments	(8,057,000)	(19,155,000)
Purchase of property and equipment	-	12,000
Net cash provided by (used in) investing activities	218,000	(394,000)
Cash flows from financing activities:		
Change in charitable gift annuities liability	15,000	16,000
Endowment contributions	250,000	80,000
Net cash provided by financing activities	265,000	96,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	573,000	524,000
Cash and cash equivalents, beginning of year	4,778,000	4,254,000
Cash and cash equivalents, end of year	$ 5,351,000	$ 4,778,000

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.

Grant expenses were incurred to support the following initiatives:

	2018	2017
Growing the pilot population	$ 4,685,000	$ 3,704,000
Safety education and outreach	936,000	1,079,000
Airport preservation	79,000	17,000
Total grant expenses	$ 5,700,000	$ 4,800,000

The Foundation granted $5,700,000 to the Aircraft Owners and Pilots Association ("AOPA") to support outreach at AOPA community fly-ins and the You Can Fly programs focused on developing flying clubs, supporting AOPA Ambassadors, flight training, Rusty Pilots initiative, and the high school program. In addition, the grant supports the AOPA Air Safety Institute which offers safety quizzes, seminars, flight instructor refresher clinics, webinars, and PSAs; and the Airport Support Network which promotes, protects, and defends America's community airports.

Basis of Accounting

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

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 two net asset categories: without donor restrictions and with donor restrictions.

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

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

The Foundation records contributions, including promises to give, when they are received unconditionally, at their fair value. The Foundation measures fair value of unconditional promises to give that are expected to be collected in future years at the present value of their estimated future cash flows. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

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

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

Cash and Cash Equivalents

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

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

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, 2018 was approximately $4,947,000. These funds are maintained for traditionally high first quarter funding requirements.

Liquidity

The Foundation's financial assets available for one year for general expenditures at December 31, 2018 and 2017 totaled $6,767,000 and $6,604,000, 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 totaling approximately $26,671,000 and $29,357,000 as of December 31, 2018 and 2017, respectively. While there are no long term restrictions to sell, it is the intention of management to hold these investments in excess of one year, therefore investments are excluded from the liquidity table below.

	2018	2017
Cash and cash equivalents	$ 5,351,000	$ 4,778,000
Cash and cash equivalents - investments	924,000	928,000
Contribution commitments, net	1,260,000	1,591,000
Less: restricted commitments	(768,000)	(693,000)
	$ 6,767,000	$ $6,604,000

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.

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

Income Taxes - Continued

The Foundation is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Foundation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The tax years ending December 31, 2018, 2017, 2016 and 2015 are still open to audit for both federal and state purposes. The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Functional Expense Allocation

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

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. In accordance with ASC 820, the Foundation classifies its assets and liabilities into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which observable market inputs are readily available), and Level 3 (securities 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.

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.

Reclassification

Certain 2017 amounts were reclassified to conform to December 31, 2018 presentation in accordance with ASU 2016-14. Such reclassifications did not change net assets in the 2017 financial statements. The following is a list of reclassifications:

Description of Reclassification	Revised	Original
Unrestricted net assets	$ -	$ 16,693,000
Unrestricted net assets - board designated	$ -	$ 2,589,000
Temporarily restricted	$ -	$ 6,229,000
Permanently restricted	$ -	$ 10,856,000
Without donor restrictions	$ 19,282,000	$ -
With donor restrictions	$ 17,085,000	$ -
Temporarily restricted - contributions	$ -	$ 4,647,000
Permanently restricted - contributions	$ -	$ 80,000
Net assets with donor restrictions - contributions	$ 4,727,000	$ -

NOTE B - CONTRIBUTION COMMITMENTS

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

	2018	2017
Current:		
Less than one year	$ 1,379,000	$ 1,857,000
Less allowance	(119,000)	(266,000)
	1,260,000	1,591,000
Long-term:		
One to five years	709,000	703,000
Greater than five years	37,000	167,000
Less allowance	(75,000)	(70,000)
Less discounts	(35,000)	(102,000)
	636,000	698,000
Total contribution commitments	$ 1,896,000	$ 2,289,000

NOTE C - INVESTMENTS

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

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Alternative investments	$ 16,271,000	$ 16,975,000	$ 14,433,000	$ 16,608,000
Common stock and mutual funds	6,212,000	5,740,000	7,210,000	7,970,000
Bond backed market funds	2,313,000	2,293,000	1,458,000	1,463,000
Cash and cash equivalents	924,000	924,000	928,000	928,000
Money market funds	739,000	739,000	2,388,000	2,388,000
	$ 26,459,000	$ 26,671,000	$ 26,417,000	$ 29,357,000

NOTE C - INVESTMENTS - Continued

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 (Level 3)
2018:				
Common stock and mutual funds	$ 5,740,000	$ 5,740,000	$ -	$ -
Bond backed market funds	2,293,000	2,293,000	-	-
Money market mutual funds	739,000	739,000	-	-
	8,772,000	8,772,000	-	-
Investments measured at NAV [(a)]	16,975,000	-	-	-
Cash and cash equivalents	924,000	-	-	-
	$ 26,671,000	$ 8,772,000	$ -	$ -
2017:				
Common stock and mutual funds	$ 7,970,000	$ 7,970,000	$ -	$ -
Money market funds	2,388,000	2,388,000	-	-
Bond backed mutual funds	1,463,000	1,463,000	-	-
	11,821,000	11,821,000	-	-
Investments measured at NAV [(a)]	16,608,000	-	-	-
Cash and cash equivalents	928,000	-	-	-
	$ 29,357,000	$ 11,821,000	$ -	$ -

(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 statements of financial position.*

NOTE C - INVESTMENTS - Continued

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, 2018 and 2017.

- *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 includes holdbacks on sales of alternative investments at December 31, 2018 that will be reinvested in alternative investments in 2019.

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, 2018, 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 12/31/2018
Commingled	$ 2,092,000	$ -	Daily	Daily	Yes	Yes
Commingled	8,432,000	$ -	Monthly	Monthly	Yes	Yes
Commingled	2,637,000	$ -	Quarterly	Quarterly	Yes	Yes
	$ 13,162,000					
Hedge funds [(a)]	3,460,000	$ -	Quarterly	Quarterly	Yes	Yes
Hedge funds [(a)]	438,000	$ -	Annually	Annually	Yes	Yes
Hedge funds [(a)]	65,000	$ -	N/A	N/A	N/A	N/A
	$ 3,813,000					

(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.

NOTE C - INVESTMENTS - Continued

The table below presents additional information for the Foundation's investments, as of December 31, 2017, 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 12/31/2017
Commingled	$ 1,270,000	$ -	Daily	Daily	Yes	Yes
Commingled	9,426,000	$ -	Monthly	Monthly	Yes	Yes
Commingled	1,531,000	$ -	Quarterly	Quarterly	Yes	Yes
	$ 12,227,000					
Hedge funds [(a)]	252,000	$ -	Monthly	Monthly	Yes	Yes
Hedge funds [(a)]	4,129,000	$ -	Quarterly	Quarterly	Yes	Yes
	$ 4,381,000					

(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:

	2018	2017
Realized gains	$ 499,000	$ 1,527,000
Reinvested dividends	130,000	172,000
Reinvested interest	63,000	17,000
Investment fees	(100,000)	(103,000)
Unrealized (losses) gains	(2,708,000)	2,730,000
	$ (2,116,000)	$ 4,343,000

NOTE D - OTHER CURRENT ASSETS

Other current assets is comprised of the fair market value of aircraft donated to the Foundation totaling $237,000 and $0 for December 31, 2018 and 2017, respectively. The Foundation intends to grant the donated aircraft to AOPA in 2019.

NOTE E - NET ASSETS WITHOUT DONOR RESTRICTIONS

The Foundation's net assets without donor restrictions at December 31, 2018 and 2017 totaled $16,997,000 and $19,282,000, respectively. The net assets without donor restrictions included Board of Trustees designated net assets of $2,589,000 for 2018 and 2017.

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

The Foundation's net assets with donor restrictions at December 31, 2018 and 2017 totaled $16,932,000 and $17,085,000, respectively.

	2018	2017
Subject to endowment spending policy and appropriation:		
Educational programs	$ 11,106,000	$ 10,856,000
Subject to expenditures for specified purpose:		
Growing the pilot population	5,032,000	4,856,000
Future year unrestricted	769,000	1,193,000
Safety education and outreach	25,000	173,000
Airport preservation	-	7,000
	5,826,000	6,229,000
Total net assets with donor restrictions	$ 16,932,000	$ 17,085,000

For the years ended December 31, 2018 and 2017 net assets of $5,568,000 and $5,113,000 were released from donor restrictions by incurring expenses satisfying the restricted purposes, by passage of time, or by occurrence of other events as specified by donors.

Endowment

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

Interpretation of Relevant Law

Management and Board of Trustees of the Foundation have interpreted and demonstrated our understanding of the Maryland Uniform Prudent Management of Institutional Funds Act to require the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In making decisions regarding the investment and appropriation of appreciation, the organization considers long and short-term needs of the organization in carrying out the charitable purpose, present and future financial requirements, expected total return on investments and general economic conditions.

Endowment Spending Policy

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

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS - Continued

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, 2018 and 2017.

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

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

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS - 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.

	2017		
	Net Assets without Restrictions	Net Assets with Restrictions	Total
Donor-restricted endowment funds	$ 1,686,000	$ 10,856,000	$ 12,542,000
Total funds	$ 1,686,000	$ 10,856,000	$ 12,542,000
Endowment net assets, beginning of year	$ 344,000	$ 10,776,000	$ 11,120,000
Investment return:			
Interest and dividends	72,000	-	72,000
Net realized and unrealized gain on investments	1,701,000	-	1,701,000
Total investment return	1,773,000	-	1,773,000
Amounts appropriated for expenditure	431,000	-	431,000
Contributions received	-	80,000	80,000
Endowment net assets, end of year	$ 1,686,000	$ 10,856,000	$ 12,542,000

NOTE G - LONG-TERM OBLIGATIONS

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

	2018	2017
Charitable Gift Annuities (Note H)	$ 349,000	$ 364,000
	$ 349,000	$ 364,000

NOTE H - CHARITABLE GIFT ANNUITIES

In April 2015, the Foundation purchased commercial single premium immediate annuities from two insurance companies as assets to back its contractual life-income liability owed to charitable gift annuity 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 determine using the 2000CM mortality table and assumed interest rates of 1.6 percent to 4.2 percent.

NOTE I - EMPLOYEE BENEFIT PLANS

The Foundation provides its employees with a defined supplemental contribution sharing and 401(k) plan (the “DC Plan”). Foundation contributions to the supplemental contribution portion of the DC Plan can range from 2.5 percent to 10 percent of aggregated participants’ eligible compensation at the discretion of the Board of Trustees. Contribution expense under the DC Plan was $6,000 and $33,000 for the years ended December 31, 2018 and 2017, respectively.

The Foundation makes a matching contribution to the 401(k) portion of the DC Plan. For the years ended December 31, 2018 and 2017, matching contributions were $23,000 and $29,000, respectively.

NOTE J - RELATED PARTY TRANSACTIONS

Certain officers and trustees of the Foundation are also officers and trustees of AOPA (the “Association”). In addition to the grant that the Foundation provides to the Association as discussed in Note A, the Association provides various administrative support services to assist the Foundation in fulfilling its purpose, for which the Foundation was charged $663,000 and $773,000 in 2018 and 2017, respectively. The amount (payable to) and receivable from the Association at December 31, 2018 and 2017 was ($127,000) and $104,000, respectively, and is included in the accompanying statements of financial position.

NOTE K - ALLOCATION OF JOINT COSTS

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

	2018	2017
Education	$ 1,082,000	$ 1,516,000
Fundraising	802,000	1,094,000
Total Joint Costs	$ 1,884,000	$ 2,610,000

NOTE L - SUBSEQUENT EVENTS

The Foundation evaluated its December 31, 2018 financial statements for subsequent events through May 6, 2019, the date the financial statements were available to be issued and concluded that no additional disclosures are required.