

**ARMY WAR COLLEGE  
FOUNDATION, INC.**

**FINANCIAL REPORT**

**JULY 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Army War College Foundation, Inc.  
Carlisle, Pennsylvania

### Report on the Financial Statements

We have audited the accompanying financial statements of the Army War College Foundation, Inc., which comprise the statement of financial position as of July 31, 2018 and 2017, and the related statements of activities 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 the Army War College Foundation, Inc., as of July 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

## **Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Boyer & Fitter". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania  
January 25, 2019

ARMY WAR COLLEGE FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION  
July 31, 2018 and 2017

	2018	2017
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 489,806	\$ 493,219
Receivables		
Contributions	23,000	-
Trade	477	128
Pledges	-	41,150
Total receivables	<u>23,477</u>	<u>41,278</u>
Prepaid expenses	13,245	26,491
Real estate held for resale	-	88,157
Inventories	<u>233,057</u>	<u>226,673</u>
<b>Total current assets</b>	<b>759,585</b>	<b>875,818</b>
Furniture and Equipment	188,399	192,124
Less accumulated depreciation	<u>(99,047)</u>	<u>(91,014)</u>
	<b>89,352</b>	<b>101,110</b>
Investments	14,915,231	13,109,851
Self-insured unemployment deposit	<u>595</u>	<u>595</u>
<b>Total assets</b>	<b>\$ 15,764,763</b>	<b>\$ 14,087,374</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 11,700	\$ 3,759
Accrued payroll	3,070	-
Sales tax payable	129	66
Deferred revenue	<u>225,737</u>	<u>310,875</u>
<b>Total current liabilities</b>	<b>240,636</b>	<b>314,700</b>
Net Assets		
Unrestricted-undesignated	11,493,481	9,818,194
Temporarily restricted	633,034	622,084
Permanently restricted	<u>3,397,612</u>	<u>3,332,396</u>
<b>Total net assets</b>	<b>15,524,127</b>	<b>13,772,674</b>
<b>Total liabilities and net assets</b>	<b>\$ 15,764,763</b>	<b>\$ 14,087,374</b>

See Notes to Financial Statements.

ARMY WAR COLLEGE FOUNDATION, INC.

STATEMENTS OF ACTIVITIES  
Years Ended July 31, 2018 and 2017

	Total	
	2018	2017
Revenue, Gains and Other Support		
Contributions	\$ 1,433,031	\$ 2,044,606
Membership income	153,520	165,258
SLSR program support	661,982	348,940
Sutler sales	242,138	235,048
Raffle income - net	2,355	929
Royalties	27,433	19,642
Miscellaneous income	28,613	1,136
Loss on sale of real estate	(28,654)	-
Loss on disposal of software	(9,200)	-
Net assets released from restrictions	-	-
<b>Total revenue, gains and other support</b>	<b>2,511,218</b>	<b>2,815,559</b>
Expenses and Losses		
Program services	1,811,481	2,290,550
General and administrative	189,926	200,856
Fundraising	197,927	226,127
<b>Total functional expenses</b>	<b>2,199,334</b>	<b>2,717,533</b>
<b>Changes in net assets before investment return</b>	<b>311,884</b>	<b>98,026</b>
Investment Return		
Interest and dividends, net of fees - 2018 \$21,509;2017 \$24,079	333,890	239,076
Net realized and unrealized gains	1,105,679	1,107,274
<b>Changes in net assets</b>	<b>1,751,453</b>	<b>1,444,376</b>
Net Assets:		
Beginning	13,772,674	12,328,298
Ending	<b>\$ 15,524,127</b>	<b>\$ 13,772,674</b>

See Notes to Financial Statements.

Unrestricted		Temporarily Restricted		Permanently Restricted	
2018	2017	2018	2017	2018	2017
\$ 1,332,257	\$ 1,633,136	\$ 100,774	\$ 411,470	\$ -	\$ -
153,520	165,258	-	-	-	-
661,982	348,940	-	-	-	-
242,138	235,048	-	-	-	-
2,355	929	-	-	-	-
27,433	19,642	-	-	-	-
28,613	1,136	-	-	-	-
(28,654)	-	-	-	-	-
(9,200)	-	-	-	-	-
310,083	372,095	(89,824)	(149,874)	(220,259)	(222,221)
<b>2,720,527</b>	<b>2,776,184</b>	<b>10,950</b>	<b>261,596</b>	<b>(220,259)</b>	<b>(222,221)</b>
1,811,481	2,290,550	-	-	-	-
189,926	200,856	-	-	-	-
197,927	226,127	-	-	-	-
<b>2,199,334</b>	<b>2,717,533</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
521,193	58,651	10,950	261,596	(220,259)	(222,221)
253,695	199,261	-	-	80,195	39,815
900,399	787,083	-	-	205,280	320,191
<b>1,154,094</b>	<b>986,344</b>	<b>-</b>	<b>-</b>	<b>285,475</b>	<b>360,006</b>
1,675,287	1,044,995	10,950	261,596	65,216	137,785
9,818,194	8,773,199	622,084	360,488	3,332,396	3,194,611
<b>\$ 11,493,481</b>	<b>\$ 9,818,194</b>	<b>\$ 633,034</b>	<b>\$ 622,084</b>	<b>\$ 3,397,612</b>	<b>\$ 3,332,396</b>

**ARMY WAR COLLEGE FOUNDATION, INC.**

**STATEMENTS OF CASH FLOWS**  
**Years Ended July 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash Flows From Operating Activities</b>		
Changes in net assets	\$ 1,751,453	\$ 1,444,376
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	15,120	5,232
Loss on sale of real estate	28,654	-
Loss on disposal of software	9,200	-
Donation of real estate	-	(84,000)
Net realized and unrealized gains on investments	(1,105,679)	(1,107,274)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - trade	(23,349)	5,890
Pledges receivable	41,150	(28,650)
Prepaid expenses	13,246	(20,617)
Real estate held for resale	-	(4,157)
Inventories	(6,384)	(8,461)
(Decrease) increase in:		
Accounts and sales tax payable	8,004	(2,851)
Accrued payroll	3,070	-
Deferred revenue	(85,138)	80,501
<b>Net cash provided by operating activities</b>	<b>649,347</b>	<b>279,989</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of real estate	59,503	-
Purchase of furniture and equipment	(12,562)	(88,628)
Purchases of investments	(1,201,212)	(3,042,899)
Proceeds from sale of investments	501,511	2,422,479
<b>Net cash used in investing activities</b>	<b>(652,760)</b>	<b>(709,048)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,413)</b>	<b>(429,059)</b>
<b>Cash and Cash Equivalents:</b>		
Beginning	493,219	922,278
Ending	\$ 489,806	\$ 493,219

See Notes to Financial Statements.



## ARMY WAR COLLEGE FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Nature of Activity and Significant Accounting Policies

Nature of Activity: The Foundation engages in charitable and educational endeavors solely for the benefit of the U.S. Army War College and its respective purposes, programs and graduates. The Foundation's support provides the *Margin of Excellence* that enables the College to better educate and develop leaders for service at the strategic level while advancing knowledge in the global application of Landpower. The Foundation enriches the College's academic programs, supports research and outreach, promotes fraternity among alumni, and encourages excellence in faculty and students across the broad spectrum of the College. The education of future strategic leaders of the Armed Forces and other civilian agencies within our government is critical in preparing these leaders for the complex issues of national security and strategy ahead.

Basis of Accounting: The Foundation's policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenue is recognized when earned, and expenses when incurred.

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 reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Restricted and Unrestricted Revenue and Support: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time-restriction ends or purpose-restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Cash and Cash Equivalents: For purposes of the Statements of Cash Flows, the Foundation considers all short-term investments purchased with a maturity of one year or less to be cash equivalents.

Depreciation: Furniture and equipment are recorded at cost. Depreciation is provided on the straight-line method over estimated useful lives of five to seven years.

Investments: Investments in marketable debt and equity securities are reported at their fair values based on quoted market prices in established markets. Investment income or loss, including realized and unrealized gains and losses on investments, are included in the Statements of Activities.

Advertising: The Foundation's policy is to expense advertising costs as incurred.

Inventories: Inventories are valued at cost based primarily on the first-in, first-out method.

## ARMY WAR COLLEGE FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Donated Services and Property: Services and supplies donated to the Foundation are recorded at their estimated, fair market values when received. During the year, the Foundation received the following donated services and property:

	2018	2017
Contributions		
Donated tickets	\$ 18,746	\$ 18,186
Donated goods	14,064	10,740
Real estate	-	84,000
	<u>\$ 32,810</u>	<u>\$ 112,926</u>
Expenses		
Programs services	\$ 32,810	\$ 28,926
Real estate held for resale	\$ -	\$ 84,000

Royalties: The Foundation receives royalties from various publications, the authors of which have designated that the royalties accrue to the Foundation's benefit.

Income Taxes: The Internal Revenue Service has determined that the Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Management has analyzed the tax positions taken by the Foundation, and has concluded that as of July 31, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure. Examples of tax positions taken at the entity level include the continuing validity of the Foundation's exempt-organization status, the potential filing requirement for unrelated business income and other tax positions that could result in income tax liabilities to the Foundation upon examination by taxing authorities.

Recent Accounting Pronouncements: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, "*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities.*" The new guidance is intended to improve and simplify the current, net-asset-classification requirements and information presented in financial statements and notes that are useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. ASU No. 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU No. 2016-14 is to be applied retroactively with transition provisions. The Organization is assessing the impact this standard will have on its financial statements.

## ARMY WAR COLLEGE FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 1. Nature of Activities and Significant Accounting Policies (Continued)**

Recent Accounting Pronouncements (Continued): In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP, including industry-specific guidance. More judgement and estimates may be required in the revenue recognition process when compared to existing U.S. GAAP, including identifying performance obligations in the contract, estimating variable consideration, and allocating the transaction price to each performance obligation. ASU 2014-09, as deferred one year by ASU 2015-14, will be effective for annual reporting periods beginning after December 15, 2018, using either a full retrospective or retrospective with cumulative effect transition method. The Company has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The amendments in this Update are provided to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance, e.g. Topic 606, and (2) determining whether a contribution is conditional. The amendments in this Update are applicable for contributions received or made to annual periods beginning after June 15, 2018 in which an entity is either a public business entity or a not-for-profit that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or over-the-counter market. For all other entities, the amendments in this Update are applicable to annual periods beginning after December 15, 2018. Early adoption of the amendments is permitted. The amendments in this Update are to be applied on a modified prospective basis, although retrospective application is permitted. Under a modified prospective basis, in the first set of financial statements following the effective date, the amendments should be applied to agreements that are either not completed as of the effective date or entered-into after the effective date. Management is currently evaluating the effect that the amendments will have on the Organization's financial statements.

Subsequent Events: In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through January 25, 2019, the date the financial statements were available to be issued.

#### **Note 2. Concentrations of Credit Risk**

At times, the Foundation's cash balance(s) with financial institutions may exceed Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Association (NCUA) insured limits of \$250,000. The Foundation has not experienced any losses, and management believes the Foundation has limited exposure to significant credit risk. Management regularly monitors the financial institutions and the Foundation's cash balances to minimize potential risk.

## ARMY WAR COLLEGE FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 3. Pledges Receivable

The following table represents the pledges receivable at July 31:

	2018	2017
Within one year	\$ -	\$ 41,150
Less: discounts for the time-value of money	-	-
Amount on Statement of Financial Position	<u>\$ -</u>	<u>\$ 41,150</u>

#### Note 4. Real Estate Held for Resale

In accordance with the Real Estate Gift Acceptance Policy the Foundation accepted its first donation of real estate during last fiscal year. The real estate was recorded at the appraised value of \$84,000, plus fees associated with appraising and preparing the property for sale. On October 3, 2017, the real estate was sold on netting \$59,503 resulting in a loss on the sale of the property of \$28,654. The net proceeds were invested.

#### Note 5. Investments

Investments measured at fair value consist of the following at July 31, 2018 and 2017:

	2018	
	Cost	Fair Market Value
Federal money market funds	\$ 112,964	\$ 112,964
Fixed-income bond funds	2,988,915	2,871,560
Equity mutual funds	8,307,048	11,930,707
	<u>\$ 11,408,927</u>	<u>\$ 14,915,231</u>
	2017	
	Cost	Fair Market Value
Federal money market funds	\$ 49,291	\$ 49,291
Fixed-income bond funds	5,320,264	2,721,356
Equity mutual funds	5,196,918	10,339,204
	<u>\$ 10,566,473</u>	<u>\$ 13,109,851</u>

## ARMY WAR COLLEGE FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 5. Investments (Continued)

Investment activity for the years ended July 31, 2018 and 2017, consists of the following:

	2018	2017
Balance, beginning of year	\$ 13,109,851	\$ 11,382,157
Excess cash transfer in	500,365	500,000
Contributions - donated securities	3,249	17,729
Investment Returns		
Interest and dividends	354,096	262,070
Realized gains (losses)	144,072	(111,515)
Unrealized gains	961,607	1,218,789
Net realized and unrealized gains	1,105,679	1,107,274
Investment-related fees	(21,509)	(24,079)
Net investment returns	1,438,266	1,345,265
Withdrawals	(136,500)	(135,300)
Balance, end of year	\$ 14,915,231	\$ 13,109,851

#### Note 6. Fair Value Measurements

The Financial Accounting Standards Board's (FASB's) authoritative guidance on fair value measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted, quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

- Level 1 Inputs to the valuation methodology are unadjusted, quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

## ARMY WAR COLLEGE FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 6. Fair Value Measurements (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Assets that are recorded at fair value on a recurring basis are investments, including those held in the Endowment Fund. The Foundation has no financial liabilities or non-financial items that are recorded at fair value on a recurring basis. Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds: The fair value of mutual funds are based on closing market prices for the identical security as reported in active markets.

The following table sets forth those assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of July 31, 2018 and 2017:

	2018			Total
	Level 1	Level 2	Level 3	
Federal money market funds	\$ 112,964	\$ -	\$ -	\$ 112,964
Fixed-income bond funds				
Intermediate	2,871,560	-	-	2,871,560
Equity mutual funds				
Small blend	1,463,256	-	-	1,463,256
Mid-cap growth	1,495,977	-	-	1,495,977
Large blend	6,927,946	-	-	6,927,946
Other	2,043,528	-	-	2,043,528
	<u>\$ 14,915,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,915,231</u>

## ARMY WAR COLLEGE FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 6. Fair Value Measurements (Continued)

	2017			Total
	Level 1	Level 2	Level 3	
Federal money market funds	\$ 49,291	\$ -	\$ -	\$ 49,291
Fixed-income bond funds				
Intermediate	2,721,356	-	-	2,721,356
Equity mutual funds				
Small blend	1,297,060	-	-	1,297,060
Mid-cap growth	1,314,592	-	-	1,314,592
Large blend	6,058,835	-	-	6,058,835
Other	1,668,717	-	-	1,668,717
	<u>\$ 13,109,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,109,851</u>

#### Note 7. Endowments

The Foundation's endowments, classified on the Statements of Financial Position as investments and cash, consist of six endowment funds established for a variety of purposes. The endowment funds include only donor-restricted assets. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The Commonwealth of Pennsylvania has not enacted a version of the Uniform Management of Institutional Funds Act (UPMIFA). Governing law resides in 15 Pa. C.S. §5548 "Investment of Trust Funds." The Foundation has interpreted relevant law as requiring the donor-restricted endowment fund, absent explicit donor stipulations to the contrary, to be managed with the long-term objective of at least maintaining the real values (after inflation) of the funds. The Foundation classifies as permanently restricted net assets (a) the original values of gifts donated to the permanent endowment; (b) the original values 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 instruments at the times the accumulations are added to the permanent endowment.

## ARMY WAR COLLEGE FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 7. Endowments (Continued)

##### Interpretation of Relevant Law

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by relevant law. Pennsylvania law permits the Board of Directors to make an election to annually appropriate for expenditure a selected percentage between 2.00% and 7.00% of the fair values of assets related to donor-restricted endowment fund, averaged over a period of three preceding years, provided the Board has determined that such percentage is consistent with the long-term preservation of the real values of such assets.

##### Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to maintain expenditures supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested based upon the standards of a “Prudent Man” that are intended to produce results that exceed the standard indices for each investment classification on an annual basis.

##### Strategies Employed for Achieving Objectives

To satisfy its long-term, rate-of- return objectives, the Foundation relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation’s asset mix is comprised of cash and cash equivalents, and fixed-income bond and equity mutual funds. The Board has established an asset-mix strategy to improve the probability of achieving enhanced, real (inflation-protected) rates-of-return.

##### Spending Policy

The spending policy of the Foundation is to provide, as closely as possible, equitable benefit from the endowment for current and future programs. 2018 and 2017 spending policies of 7.00% and 7.00% for DeSerio Chair, 3.59% and 4.00% for the Landpower Essay Program, 7.00% and 7.00% for the Far East Studies, 7.00% and 7.00% for the General Endowment and 4.11% and 4.00% for the Sonny Moore Lecture, respectively, were adopted to meet the endowment’s program-funding requirements. The Foundation appropriates funds on a total-return basis (i.e. interest, dividends and principal appreciation).



## ARMY WAR COLLEGE FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 7. Endowments (Continued)

##### Net Asset Classifications of Endowment Funds

The following are the changes in endowment funds, which are permanently restricted net assets for the years ended July 31, 2018 and 2017:

	2018	2017
Balance - beginning of year	\$ 3,332,396	\$ 3,194,611
Investment return:		
Interest and dividends	86,153	43,795
Net appreciation (realized and unrealized gains)	205,280	320,191
Investment-related fees	(5,958)	(3,980)
Total investment return	<u>285,475</u>	<u>360,006</u>
Appropriation of endowment assets for expenditures	(220,259)	(222,221)
Balance - end of year	<u>\$ 3,397,612</u>	<u>\$ 3,332,396</u>

Endowment assets are components of investments on the Statements of Financial Position.

#### Note 8. Permanently Restricted Net Assets

Permanently restricted net assets consist of endowment funds which are designated for the following purposes.

	2018	2017
Chaplain Moore Lecture	\$ 92,919	\$ 89,264
Landpower Essay	153,245	146,499
The Park Fund-Far East Studies	19,663	19,411
General Endowment	1,118,680	1,104,318
DeSerio Chair of Strategic Theater Intelligence	2,013,105	1,972,904
	<u>\$ 3,397,612</u>	<u>\$ 3,332,396</u>

**ARMY WAR COLLEGE FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 9. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

	2018	2017
Program Support		
Advanced Strategic Art Program	\$ 74,738	\$ 74,488
Army Leader Day	3,524	6,993
Bussey Military Intelligence Writing Award	1,975	1,975
Carlisle Scholars Program	65,000	100,000
Chaplain Moore Lecture	5,517	3,517
Climate change lecture	10,000	-
Col Arseny A Melnick Lecture	6,691	6,691
COL Kelly Counterinsurgency Writing Award	3,250	3,250
CSL Programs	75,000	100,000
Daniel Lewin Memorial	5,448	12,758
DDE Alumni Scholarship	63,515	36,115
DeSerio Chair of Strategic Theatre Intelligence	-	40,897
Ethics Program	23,000	23,000
Executive Leadership Award	3,850	4,450
General Endowment	144,459	70,500
IF LTG DeWitt Smith Lecture	15,932	12,182
Industry Day	-	805
Library Fund	2,500	-
NG/USAR Birthday Fund	1,209	1,238
PKSOI	91,443	91,443
Student writing awards	4,340	5,090
Special Memorial Funds	20,490	16,839
The Park Fund-Far East Studies	2,530	1,230
Turning Point Lecture	4,031	4,031
Wounded Warrior Fund	4,592	4,592
	<u>\$ 633,034</u>	<u>\$ 622,084</u>

**ARMY WAR COLLEGE FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 10. Satisfaction of Restrictions**

	2018	2017
Net Assets Released from Restrictions:		
Advanced Strategic Art Program	\$ 25,000	\$ 25,000
Army Leader Day	3,470	10,000
Carlisle Scholars Program	35,000	-
Chaplain Moore Lecture	1,500	1,500
CSL Programs	25,000	-
DDE Alumni Scholarship	1,500	-
Daniel Lewin Memorial	7,310	13,157
Dean's Honoraria and Programs	-	10,000
DeSerio Chair of Strategic Theater Intelligence	177,397	100,425
Executive Leadership Award	600	-
IF Family Program	-	71,521
IF Hersheypark tickets	18,746	18,186
Industry Day	3,681	2,500
Landpower Essay	5,000	5,000
Library Fund	-	2,000
Madigan Faculty Awards/Academic Chairs	-	310
Military Family Program	-	2,750
National Security Seminar	-	25,000
NG/USAR Birthday Fund	379	-
PKSOI	-	76,576
Special Memorial Funds	4,250	4,425
Student Writing Awards	1,250	1,500
Various programs	-	2,245
	<u>\$ 310,083</u>	<u>\$ 372,095</u>

**SUPPLEMENTARY INFORMATION**

**ARMY WAR COLLEGE FOUNDATION, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES**  
**Year Ended July 31, 2018**

	Program Services				Support
	Sutler Store	Member Services	Academic Program	Program Enhancement	General and Administrative
Salaries	\$ 43,866	\$ 54,241	\$ 39,151	\$ 34,177	\$ 111,037
Payroll taxes	3,275	3,977	3,335	2,801	9,875
Depreciation	3,780	3,024	1,512	1,512	3,780
Legal and accounting	-	-	-	-	26,274
Bank, credit card and PayPal fees	12,045	-	-	-	7,951
Dues and subscriptions	-	-	-	-	935
Board member support	-	-	-	-	14,716
Insurance	-	-	-	-	5,063
Leased equipment	-	-	-	-	2,780
Travel	-	-	-	-	132
Meals and entertainment	-	-	-	-	-
Stationary and supplies	2,007	1,606	1,204	1,204	803
Magazine	2,492	14,954	9,969	12,462	2,492
Postage and shipping	1,049	1,049	787	787	525
Telephone and internet	583	583	583	583	972
Automation	2,153	2,153	1,615	1,615	2,153
Sutler supplies	2,664	666	-	-	-
Sutler postage and merchandise shipping	5,143	1,286	-	-	-
Gifts-In-Kind to AWC	-	-	-	6,838	-
DeSerio Chair of Strategic Intelligence	-	-	300,124	-	-
Post doctoral fellows	-	-	254,000	-	-
Chair of War Studies	-	-	200,000	-	-
Scholarships	-	-	2,500	-	-
Advanced Strategic Arts Program (ASAP)	-	-	25,000	-	-
Industry Day	-	-	5,582	-	-
Commandant Reading Program	-	-	1,500	-	-
Lecture Series	-	-	12,290	-	-
Student Writing & Speaking Awards	-	-	8,702	-	-
Honoraria and Dean's Programs	-	-	110,000	-	-

(Continued)

**ARMY WAR COLLEGE FOUNDATION, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES (Continued)**  
**Year Ended July 31, 2018**

	Program Services				Support
	Sutler Store	Member Services	Academic Program	Program Enhancement	General and Administrative
Faculty Development	-	-	4,250	-	-
Conference Support - CSL & SSI	-	-	35,156	-	-
International Fellows (IF)	-	-	-	88,746	-
Military Family Program	-	-	-	4,000	-
Managed Accounts	-	-	-	378	-
Special Events Support	-	-	-	2,751	-
Outstanding Alum Program	-	-	-	2,557	-
Special Memorial Fund	-	-	-	4,250	-
SLDP and AWCF Outreach	-	-	-	236,618	-
Corporate Development	-	-	-	-	-
Reunions and receptions	-	-	-	17,035	-
Press activities, royalties and production	-	-	-	24,624	-
Awards & Recognitions	-	12,500	-	-	-
Foundation Support	12,012	-	-	-	-
Mailouts	-	-	-	-	-
Fundraising, advertising and marketing	302	-	-	-	175
Alumnus research	-	489	-	-	-
Miscellaneous	-	2,531	853	-	263
Defective merchandise write-off	174	-	-	-	-
Cost of goods sold and raffle costs	159,826	-	-	-	-
	<u>\$ 251,371</u>	<u>\$ 99,059</u>	<u>\$ 1,018,113</u>	<u>\$ 442,938</u>	<u>\$ 189,926</u>

**ARMY WAR COLLEGE FOUNDATION, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES**

**Year Ended July 31, 2017**

	Program Services				Support
	Sutler Store	Member Services	Academic Program	Program Enhancement	General and Administrative
Salaries	\$ 43,294	\$ 53,470	\$ 38,847	\$ 33,898	\$ 110,567
Payroll taxes	3,359	4,071	3,946	3,220	11,321
Depreciation	1,308	1,046	523	523	1,308
Legal and accounting	-	-	-	-	25,163
Bank, credit card and PayPal fees	11,837	-	-	-	7,590
Dues and subscriptions	-	-	-	-	1,490
Board member support	-	-	-	-	23,190
Insurance	-	-	-	-	4,884
Leased equipment	-	-	-	-	4,266
Travel	-	-	-	-	26
Meals and entertainment	-	-	-	-	-
Stationary and supplies	2,230	1,784	1,338	1,338	892
Magazine	2,377	14,260	9,506	11,884	2,377
Postage and shipping	921	921	690	690	460
Telephone and internet	542	542	542	542	903
Automation	3,032	3,032	2,274	2,274	3,032
Sutler supplies	3,211	803	-	-	-
Sutler postage and merchandise shipping	4,166	1,041	-	-	-
Gifts-In-Kind to AWC	-	-	-	9,544	-
Chair of Strategic Leadership	-	-	440,000	-	-
DeSerio Chair of Strategic Intelligence	-	-	100,426	-	-
Strategy Level Chair / Visiting Professor	-	-	350,000	-	-
Chair of War Studies	-	-	200,000	-	-
Peacekeeping Institute (PKSOI)	-	-	76,576	-	-
AWC Contingency Fund	-	-	-	12,000	-
Advanced Strategic Arts Program (ASAP)	-	-	25,000	-	-
Industry Day	-	-	2,500	-	-
Commandant Reading Program	-	-	2,000	-	-
Lecture Series	-	-	23,907	-	-
LiBR:YRlary Funds	-	-	2,500	-	-
Student Writing & Speaking Awards	-	-	7,950	-	-
Honoraria and Dean's Programs	-	-	80,000	-	-

(Continued)

**ARMY WAR COLLEGE FOUNDATION, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES (Continued)**  
**Year Ended July 31, 2017**

	Program Services				Support
	Sutler Store	Member Services	Academic Program	Program Enhancement	General and Administrative
Faculty Development	-	-	4,000	-	-
International Fellows (IF)	-	-	-	100,381	-
Military Family Program	-	-	-	8,500	-
Managed Accounts	-	-	-	1,095	-
Special Events Support	-	-	-	4,452	-
Outstanding Alum Program	-	-	-	3,674	-
Special Memorial Fund	-	-	-	5,425	-
SLDP and AWCF Outreach	-	-	-	294,571	-
Protocol (Executive Services)	-	-	-	35,000	-
Corporate Development	-	-	-	-	-
Reunions and receptions	-	-	-	42,221	-
Press activities, royalties and production	-	-	-	16,208	-
Awards & Recognitions	-	12,000	-	-	-
Foundation Support	7,156	-	-	-	-
Mailouts	-	-	-	-	-
Fundraising, advertising and marketing	231	-	-	-	330
Alumnus research	-	777	-	-	-
Miscellaneous	-	1,660	-	-	-
Defective merchandise write-off	702	-	-	-	-
Cost of goods sold and raffle costs	149,561	-	-	-	-
	<u>\$ 233,927</u>	<u>\$ 95,407</u>	<u>\$ 1,372,525</u>	<u>\$ 587,440</u>	<u>\$ 197,799</u>