

**ARMY WAR COLLEGE  
FOUNDATION, INC.**

**FINANCIAL REPORT**

**JULY 31, 2019**

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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 statements of financial position as of July 31, 2019 and 2018, 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, 2019 and 2018, 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.

## **Emphasis of Matter**

As disclosed in Note 1 to the financial statements, the Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*.

## **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 black ink that reads "Boyer & Ritter". The signature is written in a cursive, flowing style with a large loop at the end of the word "Ritter".

Camp Hill, Pennsylvania  
January 22, 2020

ARMY WAR COLLEGE FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION  
July 31, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 1,102,659	\$ 489,806
Receivables		
Contributions	102,300	23,000
Trade	54	477
Total receivables	<u>102,354</u>	<u>23,477</u>
Prepaid expenses	105,846	13,245
Inventories	<u>239,196</u>	<u>233,057</u>
<b>Total current assets</b>	<b>1,550,055</b>	<b>759,585</b>
Furniture and Equipment	188,399	188,399
Less accumulated depreciation	<u>(110,362)</u>	<u>(99,047)</u>
	<u>78,037</u>	<u>89,352</u>
Investments	15,973,704	14,915,231
Self-insured unemployment deposit	<u>595</u>	<u>595</u>
<b>Total assets</b>	<b>\$ 17,602,391</b>	<b>\$ 15,764,763</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 425,714	\$ 11,700
Accrued payroll	2,804	3,070
Sales tax payable	187	129
Deferred revenue	<u>508,344</u>	<u>225,737</u>
<b>Total current liabilities</b>	<b>937,049</b>	<b>240,636</b>
Net Assets		
Without donor restrictions	12,444,518	11,493,481
With donor restrictions	<u>4,220,824</u>	<u>4,030,646</u>
<b>Total net assets</b>	<b>16,665,342</b>	<b>15,524,127</b>
<b>Total liabilities and net assets</b>	<b>\$ 17,602,391</b>	<b>\$ 15,764,763</b>

See Notes to Financial Statements.

ARMY WAR COLLEGE FOUNDATION, INC.

STATEMENTS OF ACTIVITIES  
Years Ended July 31, 2019 and 2018

	Total	
	2019	2018
Revenue, Gains and Other Support		
Contributions	\$ 1,452,254	\$ 1,433,031
Membership income	144,733	153,520
SLSR program support	883,350	661,982
Sutler sales	233,421	242,138
Royalties	15,022	27,433
Miscellaneous income	2,741	30,968
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>2,731,521</b>	<b>2,511,218</b>
Expenses and Losses		
Program services	1,800,944	1,811,481
General and administrative	224,751	189,926
Fundraising	256,338	197,927
<b>Total functional expenses</b>	<b>2,282,033</b>	<b>2,199,334</b>
<b>Changes in net assets before investment return</b>	<b>449,488</b>	<b>311,884</b>
Investment Return, net	691,727	1,439,569
<b>Changes in net assets</b>	<b>1,141,215</b>	<b>1,751,453</b>
Net Assets:		
Beginning	15,524,127	13,772,674
Ending	<u>\$ 16,665,342</u>	<u>\$ 15,524,127</u>

See Notes to Financial Statements.

Without Donor Restrictions		With Donor Restrictions	
2019	2018	2019	2018
\$ 1,101,107	\$ 1,253,498	\$ 351,147	\$ 179,533
144,733	153,520	-	-
883,350	661,982	-	-
233,421	242,138	-	-
15,022	27,433	-	-
2,741	30,968	-	-
-	(28,654)	-	-
-	(9,200)	-	-
349,732	388,842	(349,732)	(388,842)
<b>2,730,106</b>	<b>2,720,527</b>	<b>1,415</b>	<b>(209,309)</b>
1,800,944	1,811,481	-	-
224,751	189,926	-	-
256,338	197,927	-	-
2,282,033	2,199,334	-	-
448,073	521,193	1,415	(209,309)
502,964	1,154,094	188,763	285,475
951,037	1,675,287	190,178	76,166
11,493,481	9,818,194	4,030,646	3,954,480
<b>\$ 12,444,518</b>	<b>\$ 11,493,481</b>	<b>\$ 4,220,824</b>	<b>\$ 4,030,646</b>

**ARMY WAR COLLEGE FOUNDATION, INC.**

**STATEMENTS OF CASH FLOWS**  
**Years Ended July 31, 2019 and 2018**

	2019	2018
Cash Flows From Operating Activities		
Changes in net assets	\$ 1,141,215	\$ 1,751,453
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	11,315	15,120
Loss on sale of real estate	-	28,654
Loss on disposal of software	-	9,200
Net realized and unrealized gains on investments	(252,018)	(1,105,679)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - trade	(78,877)	(23,349)
Pledges receivable	-	41,150
Prepaid expenses	(92,601)	13,246
Inventories	(6,139)	(6,384)
(Decrease) increase in:		
Accounts and sales tax payable	414,072	8,004
Accrued payroll	(266)	3,070
Deferred revenue	282,607	(85,138)
<b>Net cash provided by operating activities</b>	<b>1,419,308</b>	<b>649,347</b>
Cash Flows From Investing Activities		
Proceeds from sale of real estate	-	59,503
Purchase of furniture and equipment	-	(12,562)
Purchases of investments	(4,755,047)	(1,201,212)
Proceeds from sale of investments	3,948,592	501,511
<b>Net cash used in investing activities</b>	<b>(806,455)</b>	<b>(652,760)</b>
<b>Net change in cash and cash equivalents</b>	<b>612,853</b>	<b>(3,413)</b>
Cash and Cash Equivalents:		
Beginning	489,806	493,219
Ending	<b>\$ 1,102,659</b>	<b>\$ 489,806</b>

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 depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without restrictions 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 net assets with restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time-restriction ends or purpose-restriction is accomplished), net assets with restrictions are reclassified to net assets without restrictions 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:

	2019	2018
Contributions		
Donated tickets	\$ 19,306	\$ 18,746
Donated goods	11,433	14,064
	<u>\$ 30,739</u>	<u>\$ 32,810</u>
Expenses		
Programs services	\$ 30,739	\$ 32,810

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, 2019, 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.

Adoption of New FASB Accounting Standard Update: In 2018, the Foundation adopted FASB Accounting Standards Update (ASU) 2016-14. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. As permitted by the update, the Foundation implemented ASU 2016-14 retrospectively except for reporting expenses by natural and functional classifications and disclosures about liquidity and availability of resources. Implementation had no significant impact on the Foundation's financial position, changes in net assets and cash flows.

## 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: 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 contracts, estimating variable consideration, and allocating transaction prices to each performance obligation. ASU 2014-09, as deferred one year by ASU 2015-14, is effective for annual reporting periods beginning after December 15, 2018. Implementation will be achieved through application of either a full-retrospective or retrospective-with-cumulative-effect transition method. Management has not yet selected a transition method and is currently evaluating the effects that the standard will have on the Foundation's 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 (non-reciprocal 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 during 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 is permitted. 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 effects that the amendments will have on the Foundation's financial statements.

Subsequent Events: In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through January 22, 2020, the date the financial statements were available to be issued.

Reclassifications: Certain amounts in the 2018 financial statements have been reclassified; with no effects on 2018 financial position, change in net assets and cash flows; to be consistent with the classifications utilized in the 2019 financial statements.

#### 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. Liquidity and Availability

The following table reflects the Foundation's financial assets as of July 31, 2019, reduced by amounts that are not available to meet general expenditures within one year of the Statement of Financial Position due to contractual restrictions or internal-board designations. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

	Total
Financial assets at year-end:	
Cash and cash equivalents	\$ 1,102,659
Investments	15,973,704
Accounts receivable	<u>102,354</u>
Total financial assets	17,178,717
Less amounts not available to be used within one year:	
Net assets with donor restrictions subject to purpose restriction	859,310
Donor-restricted funds to be held in perpetuity	<u>3,361,514</u>
	<u>4,220,824</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 12,957,893</u></u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates a balanced budget and anticipates receiving revenue to cover general expenditures not covered by donor-restricted resources. Refer to the Statements of Cash Flows which identifies the sources and uses of the Foundation's cash and shows cash generated by operations during the year ended July 31, 2019.

#### 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.

ARMY WAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5. Investments

Investments measured at fair value consist of the following at July 31, 2019 and 2018:

	2019	
	Cost	Fair Market Value
Federal money market funds	\$ 50,004	\$ 50,004
Fixed-income bond funds	3,186,183	3,218,215
Equity mutual funds	9,610,515	12,705,485
	<u>\$ 12,846,702</u>	<u>\$ 15,973,704</u>

  

	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>

Investment activity for the years ended July 31, 2019 and 2018, consists of the following:

	2019	2018
Balance, beginning of year	\$ 14,915,231	\$ 13,109,851
Excess cash transfer in	500,000	500,365
Contributions - donated securities	5,734	3,249
Investment Returns		
Interest and dividends	473,400	354,096
Realized gains (losses)	581,317	144,072
Unrealized gains	(329,299)	961,607
Net realized and unrealized gains	<u>252,018</u>	<u>1,105,679</u>
Investment-related fees	<u>(36,010)</u>	<u>(21,509)</u>
Net investment returns	<u>689,408</u>	<u>1,438,266</u>
Withdrawals	(136,669)	(136,500)
Balance, end of year	<u>\$ 15,973,704</u>	<u>\$ 14,915,231</u>

## ARMY WAR COLLEGE FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### 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.

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.

**ARMY WAR COLLEGE FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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

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, 2019 and 2018:

	2019			
	Level 1	Level 2	Level 3	Total
Federal money market funds	\$ 50,004	\$ -	\$ -	\$ 50,004
Fixed-income bond funds				
Short-term	1,640,018	-	-	1,640,018
Intermediate	1,578,197	-	-	1,578,197
Equity mutual funds				
Small blend	1,689,497	-	-	1,689,497
Mid-cap growth	1,514,071	-	-	1,514,071
Large blend	7,459,458	-	-	7,459,458
Other	2,042,459	-	-	2,042,459
	<u>\$ 15,973,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,973,704</u>

	2018			
	Level 1	Level 2	Level 3	Total
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 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 net assets with restrictions (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.

#### Interpretation of Relevant Law

The remaining portion of the donor-restricted endowment fund that is not appropriated for expenditure in accordance with donor restrictions remains classified net assets with restrictions 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.



## ARMY WAR COLLEGE FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 7. Endowments (Continued)

##### 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. 2019 and 2018 spending policies of 7.00% and 7.00% for DeSerio Chair, 4.00% and 3.59% 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 4.00% and 4.11% 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).

##### Net Asset Classifications of Endowment Funds

The following are the changes in endowment funds, which are net assets held in perpetuity for the years ended July 31, 2019 and 2018:

	2019	2018
Balance - beginning of year	\$ 3,397,612	\$ 3,332,396
Investment return:		
Interest and dividends	104,720	86,153
Net appreciation (realized and unrealized gains)	91,249	205,280
Investment-related fees	(7,206)	(5,958)
Total investment return	<u>188,763</u>	<u>285,475</u>
Appropriation of endowment assets for expenditures	(224,861)	(220,259)
Balance - end of year	<u>\$ 3,361,514</u>	<u>\$ 3,397,612</u>

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

**ARMY WAR COLLEGE FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 8. Net Assets with Restrictions**

Net assets with restrictions consist of the following purposes:

	2019	2018
Subject to expenditures for specified purposes:		
Advanced Strategic Art Program	\$ 49,738	\$ 74,738
Army Leader Day	-	3,524
Bussey Military Intelligence Writing Award	1,975	1,975
Carlisle Scholars Program	40,100	65,000
Chaplain Moore Lecture	5,517	5,517
Climate change lecture	15,000	10,000
Col Arseny A Melnick Lecture	6,691	6,691
COL Kelly Counterinsurgency Writing Award	3,250	3,250
CSL Programs	75,000	75,000
Daniel Lewin Memorial	7,742	5,448
DDE Alumni Scholarships	63,996	63,515
DeSerio Chair of Strategic Theatre Intelligence	136,350	-
Ethics Program	23,000	23,000
General Endowment	222,774	144,459
IF LTG DeWitt Smith Lecture	15,932	15,932
Industry day	2,960	-
Landpower Essay	5,001	-
Library Fund	2,500	2,500
Military Family Program	5,250	-
National Security Seminar	3,045	-
NG/USAR Birthday Fund	1,137	1,209
Nominative Leadership Award	2,821	3,850
Outstanding Alumnus programs	41,555	-
PKSOI	91,443	91,443
Special Memorial Funds	20,479	20,490
Strategic Studies Institute	141	-
Student writing awards	4,760	4,340
The Park Fund-Far East Studies	2,530	2,530
Turning Point Lecture	4,031	4,031
Wounded Warrior Fund	4,592	4,592
Not subject to appropriation of expenditures:		
Chaplain Moore Lecture	96,300	92,919
Landpower Essay	159,633	153,245
The Park Fund-Far East Studies	19,710	19,663
General Endowment	1,121,304	1,118,680
DeSerio Chair of Strategic Theater Intelligence	1,964,567	2,013,105
	<u>\$ 4,220,824</u>	<u>\$ 4,030,646</u>

## ARMY WAR COLLEGE FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 9. Satisfaction of Restrictions

	2019	2018
Satisfaction of purpose restrictions:		
Advanced Strategic Art Program	\$ 25,000	\$ 25,000
Army Leader Day	3,524	3,470
Carlisle Scholars Program	25,000	35,000
Chaplain Moore Lecture	3,500	1,500
CSL Programs	-	25,000
Daniel Lewin Memorial	2,806	7,310
DDE Alumni Scholarships	3,000	1,500
DeSerio Chair of Strategic Theater Intelligence	319	40,897
Executive Leadership Award	1,029	600
IF Hersheypark tickets	19,306	18,746
IF LTG DeWitt Smith Lecture	250	-
Industry Day	87	3,681
National Security Seminar	25,105	-
NG/USAR Birthday Fund	326	379
Outstanding alumnus	4,913	-
Special Memorial Funds	6,750	4,250
Student Writing Awards	2,580	1,250
The Park Fund-Far East Studies	1,376	-
Distributions from endowments	224,861	220,259
	<u>\$ 349,732</u>	<u>\$ 388,842</u>

#### Note 10. Related Party Transactions

Several members of the Board of Trustees are involved with entities that transact the following business with the Foundation: Several Board members participate in staff rides and make contributions to the Foundation.

ARMY WAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 11. Functional Expenses

	2019			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 187,235	\$ 128,264	\$ 177,088	\$ 492,587
Payroll taxes	14,650	10,007	13,047	37,704
Benefits - IRA Match	3,576	1,954	4,267	9,797
Depreciation	7,354	2,829	1,132	11,315
Legal and accounting	-	25,506	-	25,506
Bank, credit card and PayPal fees	12,093	8,425	-	20,518
Dues and subscriptions	-	938	-	938
Board member support	-	28,188	-	28,188
Insurance	-	4,748	-	4,748
Leased equipment	-	3,485	-	3,485
Travel	1,105	991	5,240	7,336
Meals and entertainment	-	-	633	633
Stationary and supplies	7,595	1,013	1,519	10,127
Magazine	53,424	3,339	10,017	66,780
Postage and shipping	3,029	433	866	4,328
Telephone and internet	2,426	1,011	607	4,044
Automation	10,099	2,885	1,443	14,427
Sutler supplies	4,653	-	-	4,653
Sutler postage and merchandise shipping	4,781	-	-	4,781
Gifts-In-Kind to AWC	6,541	-	-	6,541
DeSerio Chair of Strategic Intelligence	319	-	-	319
Chair of Strategic Leadership	200,000	-	-	200,000
Chair of War Studies	200,000	-	-	200,000
Post doctoral fellows	100,000	-	-	100,000
Applied communications lab	150,000	-	-	150,000
Advanced Strategic Arts Program (ASAP)	25,000	-	-	25,000
Industry Day	88	-	-	88
Commandant Reading Program	2,000	-	-	2,000
Lecture Series	11,306	-	-	11,306
New academic building	12,982	-	-	12,982
Student Writing and Speaking Awards	4,109	-	-	4,109
Honoraria and Dean's Programs	110,105	-	-	110,105
Faculty Development	3,150	-	-	3,150
International Fellows (IF)	89,456	-	-	89,456
Managed accounts	325	-	-	325
Special events support	4,019	-	-	4,019
Outstanding Alum Program	4,913	-	-	4,913
Special Memorial Fund	6,750	-	-	6,750
SLDP and AWCF Outreach	281,567	-	-	281,567
Protocol services	50,000	-	-	50,000

(Continued)

ARMY WAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 11. Functional Expenses (Continued)

	2019			Total
	Program Services	Management and General	Fundraising	
Corporate development	-	-	7,637	7,637
Reunions and receptions	29,484	-	11,393	40,877
Press activities, royalties and production	5,521	-	-	5,521
Scholarships	25,000	-	-	25,000
Foundation support	8,563	-	4,988	13,551
Mailouts	-	-	16,461	16,461
Fundraising, advertising and marketing	543	175	-	718
Alumnus research	516	-	-	516
Miscellaneous	3,502	560	-	4,062
Defective merchandise write-off	1,012	-	-	1,012
Cost of goods sold and raffle costs	152,153	-	-	152,153
	<u>\$ 1,800,944</u>	<u>\$ 224,751</u>	<u>\$ 256,338</u>	<u>\$ 2,282,033</u>

ARMY WAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 11. Functional Expenses (Continued)

	2018			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 171,435	\$ 111,037	\$ 117,522	\$ 399,994
Payroll taxes	13,388	9,875	7,619	30,882
Depreciation	9,828	3,780	1,512	15,120
Legal and accounting	-	26,274	-	26,274
Bank, credit card and PayPal fees	12,045	7,951	-	19,996
Dues and subscriptions	-	935	-	935
Board member support	-	14,716	-	14,716
Insurance	-	5,063	-	5,063
Leased equipment	-	2,780	-	2,780
Travel	-	132	642	774
Meals and entertainment	-	-	117	117
Stationary and supplies	6,021	803	1,204	8,028
Magazine	39,877	2,492	7,477	49,846
Postage and shipping	3,672	525	1,049	5,246
Telephone and internet	2,332	972	583	3,887
Automation	7,536	2,153	18,297	27,986
Sutler supplies	3,330	-	-	3,330
Sutler postage and merchandise shipping	6,429	-	-	6,429
Gifts-In-Kind to AWC	6,838	-	-	6,838
DeSerio Chair of Strategic Intelligence	300,124	-	-	300,124
Post doctoral fellows	254,000	-	-	254,000
Chair of War Studies	200,000	-	-	200,000
Scholarships	2,500	-	-	2,500
Advanced Strategic Arts Program (ASAP)	25,000	-	-	25,000
Industry Day	5,582	-	-	5,582
Commandant Reading Program	1,500	-	-	1,500
Lecture Series	12,290	-	-	12,290
Student Writing and Speaking Awards	8,702	-	-	8,702
Honoraria and Dean's Programs	110,000	-	-	110,000
Faculty Development	4,250	-	-	4,250
Conference Support - CSL & SSI	35,156	-	-	35,156
International Fellows (IF)	88,746	-	-	88,746
Military Family Program	4,000	-	-	4,000
Managed accounts	378	-	-	378
Special events support	2,751	-	-	2,751
Outstanding Alum Program	2,557	-	-	2,557
Special Memorial Fund	4,250	-	-	4,250
SLDP and AWCF Outreach	236,618	-	-	236,618

(Continued)

ARMY WAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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**Note 11. Functional Expenses (Continued)**

	2018			Total
	Program Services	Management and General	Fundraising	
Corporate development	-	-	13,094	13,094
Reunions and receptions	17,035	-	1,218	18,253
Press activities, royalties and production	24,624	-	-	24,624
Awards and recognitions	12,500	-	-	12,500
Foundation support	12,012	-	3,836	15,848
Mailouts	-	-	22,436	22,436
Fundraising, advertising and marketing	302	175	-	477
Alumnus research	489	-	-	489
Miscellaneous	3,384	263	1,321	4,968
Defective merchandise write-off	174	-	-	174
Cost of goods sold and raffle costs	159,826	-	-	159,826
	<u>\$ 1,811,481</u>	<u>\$ 189,926</u>	<u>\$ 197,927</u>	<u>\$ 2,199,334</u>

**SUPPLEMENTARY INFORMATION**



**ARMY WAR COLLEGE FOUNDATION, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES BY PROGRAM**  
**Year Ended July 31, 2019**

	Program Services				Support
	Sutler Store	Member Services	Academic Program	Program Enhancement	Management and General
Salaries	\$ 46,855	\$ 53,430	\$ 41,054	\$ 45,896	\$ 128,264
Payroll taxes	3,584	4,414	3,141	3,511	10,007
Benefits - IRA Match	998	1,141	513	924	1,954
Depreciation	2,827	2,263	1,132	1,132	2,829
Legal and accounting	-	-	-	-	25,506
Bank, credit card and PayPal fees	12,093	-	-	-	8,425
Dues and subscriptions	-	-	-	-	938
Board member support	-	-	-	-	28,188
Insurance	-	-	-	-	4,748
Leased equipment	-	-	-	-	3,485
Travel	-	1,105	-	-	991
Meals and entertainment	-	-	-	-	-
Stationary and supplies	2,532	2,025	1,519	1,519	1,013
Magazine	3,339	20,034	13,356	16,695	3,339
Postage and shipping	865	866	649	649	433
Telephone and internet	605	607	607	607	1,011
Automation	2,886	2,885	2,164	2,164	2,885
Sutler supplies	3,722	931	-	-	-
Sutler postage and merchandise shipping	3,825	956	-	-	-
Gifts-In-Kind to AWC	-	-	-	6,541	-
DeSerio Chair of Strategic Intelligence	-	-	319	-	-
Chair of Strategic Leadership	-	-	200,000	-	-
Chair of War Studies	-	-	200,000	-	-
Post doctoral fellows	-	-	100,000	-	-
Applied communications lab	-	-	150,000	-	-
Advanced Strategic Arts Program (ASAP)	-	-	25,000	-	-
Industry Day	-	-	88	-	-
Commandant Reading Program	-	-	2,000	-	-
Lecture Series	-	-	11,306	-	-

(Continued)

**ARMY WAR COLLEGE FOUNDATION, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES BY PROGRAM (Continued)**

**Year Ended July 31, 2019**

	Program Services			Program Enhancement	Support Management and General
	Sutler Store	Member Services	Academic Program		
New academic building	-	-	12,982	-	-
Student Writing and Speaking Awards	-	-	4,109	-	-
Honoraria and Dean's Programs	-	-	110,105	-	-
Faculty development	-	-	3,150	-	-
International Fellows (IF)	-	-	-	89,456	-
Managed accounts	-	-	-	325	-
Special events support	-	-	-	4,019	-
Outstanding Alum Program	-	-	-	4,913	-
Special Memorial Fund	-	-	-	6,750	-
SLDP and AWCF Outreach	-	-	-	281,567	-
Protocol services	-	-	-	50,000	-
Corporate Development	-	-	-	-	-
Reunions and receptions	-	-	-	29,484	-
Press activities, royalties and production	-	-	-	5,521	-
Scholarships	-	16,000	4,000	5,000	-
Foundation Support	3,068	5,495	-	-	-
Mailouts	-	-	-	-	-
Fundraising, advertising and marketing	346	197	-	-	175
Alumnus research	-	516	-	-	-
Miscellaneous	-	3,502	-	-	560
Defective merchandise write-off	1,012	-	-	-	-
Cost of goods sold and raffle costs	152,153	-	-	-	-
	<u>\$ 240,710</u>	<u>\$ 116,367</u>	<u>\$ 887,194</u>	<u>\$ 556,673</u>	<u>\$ 224,751</u>

**ARMY WAR COLLEGE FOUNDATION, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES BY PROGRAM**

**Year Ended July 31, 2018**

	Program Services				Support S
	Sutler Store	Member Services	Academic Program	Program Enhancement	Management and General
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 BY PROGRAM (Continued)**

**Year Ended July 31, 2018**

	Program Services				Support Ser
	Sutler Store	Member Services	Academic Program	Program Enhancement	Management and General
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 and 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>