

**ARMY WAR COLLEGE  
FOUNDATION, INC.**

**FINANCIAL REPORT**

**JULY 31, 2022**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Opinion**

We have audited the financial statements of the Army War College Foundation, Inc. (the Foundation), which comprise the statements of financial position as of July 31, 2022 and 2021, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of July 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

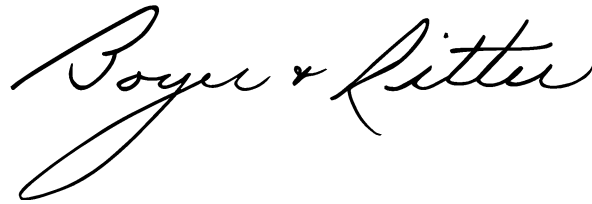
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

## **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 & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania  
January 23, 2023

**ARMY WAR COLLEGE FOUNDATION, INC.**

**STATEMENTS OF FINANCIAL POSITION**  
**July 31, 2022 and 2021**

	2022	2021
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 1,264,661	\$ 978,372
Receivables		
Contributions	603	384
Trade	1,886	64
Total receivables	<u>2,489</u>	<u>448</u>
Prepaid expenses	8,336	2,130
Inventories	114,526	175,502
<b>Total current assets</b>	<u>1,390,012</u>	<u>1,156,452</u>
Furniture and Equipment	201,414	194,309
Less accumulated depreciation	<u>(152,785)</u>	<u>(139,217)</u>
	<u>48,629</u>	<u>55,092</u>
Investments	19,585,135	21,144,956
Self-insured unemployment deposit	595	595
<b>Total assets</b>	<u>\$ 21,024,371</u>	<u>\$ 22,357,095</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 2,125,654	\$ 27,360
Accrued payroll	2,215	1,136
Sales tax payable	305	1,396
<b>Total current liabilities</b>	<u>2,128,174</u>	<u>29,892</u>
Net Assets		
Without donor restrictions	14,095,474	17,219,009
With donor restrictions	4,800,723	5,108,194
<b>Total net assets</b>	<u>18,896,197</u>	<u>22,327,203</u>
<b>Total liabilities and net assets</b>	<u>\$ 21,024,371</u>	<u>\$ 22,357,095</u>

See Notes to Financial Statements.

**ARMY WAR COLLEGE FOUNDATION, INC.**

**STATEMENTS OF ACTIVITIES**  
**Years Ended July 31, 2022 and 2021**

	Total	
	2022	2021
Revenue, Gains and Other Support		
Contributions		
Cash and other financial assets	\$ 1,645,106	\$ 1,223,067
In-kind - non-financial assets	30,378	5,096
In-kind - financial assets	54,091	102,922
Membership income	137,221	73,889
Staff ride program support	136,492	17,000
Gift shop	231,661	174,738
Royalties	15,183	14,224
Miscellaneous income	879	1,269
Net assets released from restrictions	-	-
<b>Total revenue, gains and other support</b>	<b>2,251,011</b>	<b>1,612,205</b>
Expenses and Losses		
Program services	3,894,198	957,499
General and administrative	231,239	200,281
Fundraising	211,460	255,024
<b>Total functional expenses</b>	<b>4,336,897</b>	<b>1,412,804</b>
<b>Changes in net assets before investment return</b>	<b>(2,085,886)</b>	<b>199,401</b>
Investment Return, net	<b>(1,345,120)</b>	<b>4,456,000</b>
<b>Changes in net assets</b>	<b>(3,431,006)</b>	<b>4,655,401</b>
Net Assets:		
Beginning	22,327,203	17,671,802
Ending	<b>\$ 18,896,197</b>	<b>\$ 22,327,203</b>

See Notes to Financial Statements.

Without Donor Restrictions		With Donor Restrictions	
2022	2021	2022	2021
\$ 921,349	\$ 659,003	\$ 723,757	\$ 564,064
30,378	5,096	-	-
54,091	102,922	-	-
137,221	73,889	-	-
136,492	17,000	-	-
231,661	174,738	-	-
15,183	14,224	-	-
879	1,269	-	-
791,817	490,168	(791,817)	(490,168)
<b>2,319,071</b>	1,538,309	<b>(68,060)</b>	73,896
<b>3,894,198</b>	957,499	-	-
<b>231,239</b>	200,281	-	-
<b>211,460</b>	255,024	-	-
<b>4,336,897</b>	1,412,804	-	-
<b>(2,017,826)</b>	125,505	<b>(68,060)</b>	73,896
<b>(1,105,709)</b>	3,647,943	<b>(239,411)</b>	808,057
<b>(3,123,535)</b>	3,773,448	<b>(307,471)</b>	881,953
<b>17,219,009</b>	13,445,561	<b>5,108,194</b>	4,226,241
<b>\$ 14,095,474</b>	<b>\$ 17,219,009</b>	<b>\$ 4,800,723</b>	<b>\$ 5,108,194</b>



ARMY WAR COLLEGE FOUNDATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended July 31, 2022**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 202,225	\$ 132,938	\$ 158,374	\$ 493,537
Payroll taxes	15,398	10,153	12,122	37,673
Benefits - IRA Match	3,788	2,283	3,230	9,301
Depreciation	5,559	3,655	4,354	13,568
Legal and accounting	-	29,087	-	29,087
Bank, credit card and PayPal fees	13,570	6,751	-	20,321
Dues and subscriptions	-	1,215	-	1,215
Board member support	-	23,968	-	23,968
Insurance	-	4,024	-	4,024
Leased equipment	-	3,902	-	3,902
Travel	166	55	213	434
Meals and entertainment	-	-	387	387
Stationary and supplies	3,963	529	793	5,285
Magazine	29,319	1,832	5,497	36,648
Postage and shipping	1,379	197	394	1,970
Telephone and internet	2,266	945	567	3,778
Automation	13,714	3,918	1,959	19,591
Gift shop supplies	4,739	-	-	4,739
Gift shop postage and merchandise shipping	4,979	-	-	4,979
Gifts-In-Kind to AWC	26,027	-	-	26,027
DeSerio Chair of Strategic Intelligence	200,000	-	-	200,000
Chair of Strategic Leadership	50,000	-	-	50,000
Chair of War Studies	240,000	-	-	240,000
Faculty augmentation	300,000	-	-	300,000
Center for Strategic Leadership (CSL)	5,000	-	-	5,000
Advanced Strategic Education Program (ASEP)	126	-	-	126
Faculty grants	15,000	-	-	15,000

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ARMY WAR COLLEGE FOUNDATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES (Continued)**  
**Year Ended July 31, 2022**

	Program Services	Management and General	Fundraising	Total
Advanced Strategic Arts Program (ASAP)	20,000	-	-	20,000
Army Leader Day	1,500	-	-	1,500
Industry Day	5,053	-	-	5,053
Commandant Reading Program	3,500	-	-	3,500
Lecture series	3,125	-	-	3,125
USAWC New Building Projects	2,138,375	-	-	2,138,375
Student Writing and Speaking Awards	9,750	-	-	9,750
Awards and recognitions	2,950	-	-	2,950
Conference support	7,047	-	-	7,047
International Fellows (IF)	90,000	-	-	90,000
Military Family Program	4,424	-	-	4,424
Managed accounts	166	-	-	166
Special events support	2,849	-	-	2,849
Outstanding Alum Program	4,711	-	-	4,711
Staff ride and AWCF Outreach	254,412	-	-	254,412
Protocol services	15,000	-	-	15,000
Corporate development	-	-	394	394
Press activities, royalties and production	23	-	-	23
Scholarships	28,500	-	-	28,500
Foundation support	11,325	-	1,577	12,902
Mailouts	-	-	21,578	21,578
Fundraising, advertising and marketing	719	175	-	894
Alumnus research	657	-	21	678
Miscellaneous	1,015	5,612	-	6,627
Defective merchandise write-off	226	-	-	226
Cost of goods sold and raffle costs	151,653	-	-	151,653
	<u>\$ 3,894,198</u>	<u>\$ 231,239</u>	<u>\$ 211,460</u>	<u>\$ 4,336,897</u>

See Notes to Financial Statements.

**ARMY WAR COLLEGE FOUNDATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended July 31, 2021**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 192,511	\$ 131,217	\$ 188,341	\$ 512,069
Payroll taxes	14,489	10,286	14,408	39,183
Benefits - IRA Match	4,364	2,519	5,259	12,142
Depreciation	5,456	3,718	5,337	14,511
Legal and accounting	-	28,043	-	28,043
Bank, credit card and PayPal fees	9,453	6,926	-	16,379
Dues and subscriptions	-	793	-	793
Insurance	-	3,813	-	3,813
Leased equipment	-	3,893	-	3,893
Meals and entertainment	-	-	499	499
Stationary and supplies	1,739	232	348	2,319
Magazine	58,952	3,684	11,053	73,689
Postage and shipping	2,721	389	777	3,887
Telephone and internet	2,065	860	516	3,441
Automation	12,465	3,562	1,781	17,808
Gift shop supplies	2,555	-	-	2,555
Gift shop postage and merchandise shipping	7,870	-	-	7,870
Gifts-In-Kind to AWC	2,288	-	-	2,288
Chair of War Studies	10,000	-	-	10,000
Faculty augmentation	250,000	-	-	250,000
Advanced Strategic Education Program (ASEP)	25,000	-	-	25,000
Center for Strategic Leadership (CSL)	25,000	-	-	25,000

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**ARMY WAR COLLEGE FOUNDATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES (Continued)**  
**Year Ended July 31, 2021**

	Program Services	Management and General	Fundraising	Total
USAWC New Building Projects	641	-	-	641
Student writing and speaking awards	3,500	-	-	3,500
Honoraria and Dean's programs	30	-	-	30
Awards and recognitions	8,320	-	-	8,320
International Fellows (IF)	42,610	-	-	42,610
Military family program	1,456	-	-	1,456
Special events support	1,758	-	-	1,758
Outstanding alum program	525	-	-	525
Staff ride and AWCF Outreach	82,506	-	-	82,506
Corporate development	-	-	8,807	8,807
Press activities, royalties and production	42,736	-	-	42,736
Scholarships	27,000	-	-	27,000
Foundation support	1,106	-	2,001	3,107
Mailouts	-	-	15,897	15,897
Fundraising, advertising and marketing	2,689	175	-	2,864
Alumnus research	696	-	-	696
Miscellaneous	1,943	171	-	2,114
Defective merchandise write-off	96	-	-	96
Cost of goods sold and raffle costs	112,959	-	-	112,959
	<u>\$ 957,499</u>	<u>\$ 200,281</u>	<u>\$ 255,024</u>	<u>\$ 1,412,804</u>

See Notes to Financial Statements.

**ARMY WAR COLLEGE FOUNDATION, INC.**

**STATEMENTS OF CASH FLOWS**  
**Years Ended July 31, 2022 and 2021**

	2022	2021
Cash Flows From Operating Activities		
Changes in net assets	\$ (3,431,006)	\$ 4,655,401
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	13,568	14,511
Net realized and unrealized losses (gains) on investments	1,988,485	(3,510,697)
Donated stock	(54,091)	(102,945)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(2,041)	24,484
Prepaid expenses	(6,206)	11,304
Inventories	60,976	82,317
(Decrease) increase in:		
Accounts and sales tax payable	2,097,203	(388,261)
Accrued payroll	1,079	(142)
<b>Net cash provided by operating activities</b>	<b>667,967</b>	<b>785,972</b>
Cash Flows From Investing Activities		
Purchase of furniture and equipment	(7,105)	-
Purchases of investments	(3,934,833)	(3,461,382)
Proceeds from sale of investments	3,560,260	2,748,071
<b>Net cash used in investing activities</b>	<b>(381,678)</b>	<b>(713,311)</b>
<b>Net change in cash and cash equivalents</b>	<b>286,289</b>	<b>72,661</b>
Cash and Cash Equivalents:		
Beginning	978,372	905,711
Ending	\$ 1,264,661	\$ 978,372
Supplemental Schedule of Noncash Investing Activities:		
Donated stock	\$ (54,091)	\$ (102,945)

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.

Revenue Recognition: The following describes the Foundation's major revenue streams, which represent the disaggregation of revenues to transactions that are similar in nature, amount, timing, uncertainties and economic factors:

Membership income: Membership dues, which are nonrefundable, are considered a contribution and recognized when received.

Staff ride program support: The Foundation will recognize revenue when costs of the goods and services are incurred by the Foundation and contribution revenue for any additional amounts. The revenue for goods and services is recognized at the time of the event. The contribution revenue is recognized when received.

Gift shop sales: Gift shop sales are recognized at the point in time the goods are provided to the customer.

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

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 Statements of Activities as net assets released from restrictions.

## ARMY WAR COLLEGE FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

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

Revenue Recognition (Continued): The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

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.

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.

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

Deferred Revenue: The Foundation recognizes revenues as earned. Money received in advance of when expense is incurred is recorded as a liability under "Deferred revenue."

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.

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

Donated Services and Property: Donated in-kind contributions are recorded at their estimated fair value at the time of receipt. These contributions are recognized as both support and expense on the Statements of Activities. Only those contributed services which create or enhance non-financial assets, require specialized skills, that are provided by individuals possessing such skills and would typically need to be purchased, if not provided by donation, are recognized in the financial statements.

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, 2022, 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-foundation 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.

## ARMY WAR COLLEGE FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

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

Adoption of New FASB Accounting Standard: The Foundation adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities* (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets, which requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the Statement of Activities, apart from contributions of cash and other financial assets. Also, this ASU requires disclosure of a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets as well as additional information around valuation and usage of the contributed nonfinancial assets. The amendments have been applied under a retrospective basis. There is no effect on net assets in connection with our implementation.

Recent Accounting Pronouncement: In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The most significant change in the new lease guidance requires lessees to recognize right-of-use assets and lease liabilities for all leases other than those that meet the definition of short-term leases. For short-term leases, lessees may elect an accounting policy by class of underlying asset under which these assets and liabilities are not recorded, and lease payments are generally recognized over the lease term on a straight-line basis. This change will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under legacy accounting principles generally accepted in the United States of America. For all entities other than public-business enterprises, this Standard is effective for annual periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022. Early adoption is permitted. Management is currently evaluating the effects that this Standard will have on the Foundation's financial statements.

Reclassifications: Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentations. These reclassifications had no effect on the Foundation's financial position, changes in net assets or cash flows as of and for the year ended July 31, 2022.

Subsequent Events: In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through January 23, 2023, the date the financial statements were available to be issued.



## ARMY WAR COLLEGE FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### 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.

#### Note 3. Liquidity and Availability

The following table reflects the Foundation's financial assets as of July 31, 2022 and 2021, 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.

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,264,661	\$ 978,372
Investments	19,585,135	21,144,956
Receivables	2,489	448
	<hr/>	<hr/>
Total financial assets	20,852,285	22,123,776
Less amounts not available to be used within one year:		
Net assets with donor restrictions subject to purpose restriction	1,474,532	1,196,559
Donor-restricted funds to be held in perpetuity	3,326,191	3,911,635
	<hr/>	<hr/>
	4,800,723	5,108,194
Financial assets available to meet general expenditures over the next twelve months	<hr/> <hr/>	<hr/> <hr/>
	\$ 16,051,562	\$ 17,015,582

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 years ended July 31, 2022 and 2021.

**ARMY WAR COLLEGE FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 4. Investments**

Investments measured at fair value consist of the following at July 31, 2022 and 2021:

	2022	
	Cost	Fair Market Value
Federal money market funds	\$ 938,890	\$ 938,890
Fixed income bond funds	4,049,417	3,860,978
Equity mutual funds	9,892,427	14,785,267
	<u>\$ 14,880,734</u>	<u>\$ 19,585,135</u>

	2021	
	Cost	Fair Market Value
Federal money market funds	\$ 33,330	\$ 33,330
Fixed income bond funds	3,872,399	3,971,884
Equity mutual funds	10,488,697	17,139,742
	<u>\$ 14,394,426</u>	<u>\$ 21,144,956</u>

Investment activity for the years ended July 31, 2022 and 2021, consists of the following:

	2022	2021
Balance, beginning of year	\$ 21,144,956	\$ 16,818,003
Contributions - donated stock	54,091	102,922
Investment Returns		
Interest and dividends	673,957	982,750
Realized gains	89,157	422,379
Unrealized (losses) gains	(2,077,642)	3,088,318
Net realized and unrealized (losses) gains	<u>(1,988,485)</u>	<u>3,510,697</u>
Investment-related fees	(31,898)	(38,653)
Net investment returns	<u>(1,346,426)</u>	<u>4,454,794</u>
Withdrawals	(267,486)	(230,763)
Balance, end of year	<u>\$ 19,585,135</u>	<u>\$ 21,144,956</u>

## ARMY WAR COLLEGE FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 5. 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 5. 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, 2022 and 2021:

	2022			
	Level 1	Level 2	Level 3	Total
Federal money market funds	\$ 938,890	\$ -	\$ -	\$ 938,890
Fixed income bond funds				
Short-term	3,860,978	-	-	3,860,978
Equity mutual funds				
Small blend	475,275	-	-	475,275
Mid-cap growth	1,730,652	-	-	1,730,652
Large blend	10,337,735	-	-	10,337,735
Other	2,241,605	-	-	2,241,605
	<u>\$ 19,585,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,585,135</u>
	2021			
	Level 1	Level 2	Level 3	Total
Federal money market funds	\$ 33,330	\$ -	\$ -	\$ 33,330
Fixed income bond funds				
Short-term	2,263,427	-	-	2,263,427
Intermediate	1,708,457	-	-	1,708,457
Equity mutual funds				
Small blend	1,042,527	-	-	1,042,527
Mid-cap growth	2,288,461	-	-	2,288,461
Large blend	11,004,182	-	-	11,004,182
Other	2,804,572	-	-	2,804,572
	<u>\$ 21,144,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,144,956</u>

## ARMY WAR COLLEGE FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 6. Endowments**

The Foundation's endowments, classified on the Statements of Financial Position as investments and cash, consist of five 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.

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 10.00% 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 Foundation 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 6. 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. 2022 and 2021 spending policies of 10.00% and 7.00% for DeSerio Chair, 10.00% and 3.10% for the Landpower Essay Program, 10.00% and 7.00% for the Far East Studies, 10.00% and 7.00% for the General Endowment and 3.00% and 3.60% for the Chaplain 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, 2022 and 2021:

	2022	2021
Balance - beginning of year	\$ 3,911,635	\$ 3,330,431
Investment return:		
Interest and dividends	117,369	180,096
Net realized and unrealized (losses) gains	(351,034)	635,366
.	(5,746)	(7,405)
Total investment return	<u>(239,411)</u>	<u>808,057</u>
Appropriation of endowment assets for expenditures	<u>(346,033)</u>	<u>(226,853)</u>
Balance - end of year	<u>\$ 3,326,191</u>	<u>\$ 3,911,635</u>

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

**ARMY WAR COLLEGE FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 7. Net Assets with Donor Restrictions**

Net assets with donor restrictions consist of the following purposes:

	2022	2021
Subject to expenditures for specified purposes:		
Awards	\$ 27,048	\$ 26,598
Chaplain Moore Lecture	15,678	12,517
College programs and positions	174,901	198,273
DeSerio Chair of Strategic Theater Intelligence	143,115	138,115
General Endowment	498,653	380,422
International Fellows support	85,522	101,521
Landpower Essay	17,064	5,001
Lectures and events	147,704	124,527
Miscellaneous college support	13,187	14,446
New academic building	231,211	65,142
Scholarships	120,000	124,696
The Park Fund-Far East Studies	449	5,301
Not subject to appropriation of expenditures:		
Chaplain Moore Lecture	110,463	121,312
Landpower Essay	173,120	203,066
The Park Fund-Far East Studies	19,694	23,182
General Endowment	1,120,434	1,318,928
DeSerio Chair of Strategic Theater Intelligence	1,902,480	2,245,147
	<u>\$ 4,800,723</u>	<u>\$ 5,108,194</u>

**Note 8. Satisfaction of Restrictions**

	2022	2021
Satisfaction of purpose restrictions:		
Awards	\$ 6,250	\$ 3,250
College programs and positions	224,056	50,900
International Fellows support	111,546	42,610
Landpower Essay	5,500	5,000
Lectures and events	17,437	1,055
Miscellaneous college support	20,776	-
New academic building	39,975	150,000
Scholarships	13,315	10,500
The Park Fund-Far East Studies	6,929	-
Distributions from endowments	346,033	226,853
	<u>\$ 791,817</u>	<u>\$ 490,168</u>

## ARMY WAR COLLEGE FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 9. In-Kind Contributions

Goods and other items, which are received by the Foundation and the subsequent distribution of these items, are reflected on the Statements of Activities. The non-cash support valuations for non-financial assets were determined as follows:

*Book Donations:* Books and prints donated to the Foundation are recorded at their estimated fair market values when received.

*Ticket Donations:* The Foundation receives donated Hersheypark tickets which are recorded at the face value of the tickets received.

*Goods and Services:* Goods and services donated to the Foundation are recorded at their estimated fair market values when received.

In-kind contributions of non-financial assets for the years ended July 31, are:

	2022	2021
Donated books	\$ 1,696	\$ 3,184
Donated tickets	21,546	-
Donated goods	7,136	1,912
	<u>\$ 30,378</u>	<u>\$ 5,096</u>

In addition to the non-financial assets above, the Foundation also receives non-cash support in the form of financial assets. The non-cash support in the form of financial assets valuations for financial assets were determined as follows:

*Stocks:* Any securities donated to the Foundation are recorded at the fair market value on the day they are donated to the Foundation.

In-kind contributions of financial assets for the years ended July 31, are:

	2022	2021
Donated stocks	<u>\$ 54,091</u>	<u>\$ 102,922</u>



**SUPPLEMENTARY INFORMATION**

**ARMY WAR COLLEGE FOUNDATION, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES BY PROGRAM**  
**Year Ended July 31, 2022**

	Program Services				Support Services		Total Expenses
	Gift Shop	Member Services	Academic Program	Program Enhancement	Management and General	Fundraising	
Salaries	\$ 49,390	\$ 60,323	\$ 44,006	\$ 48,506	\$ 132,938	\$ 158,374	\$ 493,537
Payroll taxes	3,698	4,294	3,693	3,713	10,153	12,122	37,673
Benefits - IRA Match	1,153	1,342	426	867	2,283	3,230	9,301
Depreciation	1,358	1,658	1,210	1,333	3,655	4,354	13,568
Legal and accounting	-	-	-	-	29,087	-	29,087
Bank, credit card and PayPal fees	13,570	-	-	-	6,751	-	20,321
Dues and subscriptions	-	-	-	-	1,215	-	1,215
Board member support	-	-	-	-	23,968	-	23,968
Insurance	-	-	-	-	4,024	-	4,024
Leased equipment	-	-	-	-	3,902	-	3,902
Travel	-	166	-	-	55	213	434
Meals and entertainment	-	-	-	-	-	387	387
Stationary and supplies	1,320	1,057	793	793	529	793	5,285
Magazine	1,833	10,994	7,330	9,162	1,832	5,497	36,648
Postage and shipping	393	394	296	296	197	394	1,970
Telephone and internet	565	567	567	567	945	567	3,778
Automation	3,918	3,918	2,939	2,939	3,918	1,959	19,591
Gift shop supplies	4,739	-	-	-	-	-	4,739
Gift shop postage and merchandise shipping	4,979	-	-	-	-	-	4,979
Gifts-In-Kind to AWC	-	-	-	26,027	-	-	26,027
DeSerio Chair of Strategic Intelligence	-	-	200,000	-	-	-	200,000
Chair of Strategic Leadership	-	-	50,000	-	-	-	50,000
Chair of War Studies	-	-	240,000	-	-	-	240,000
Faculty augmentation	-	-	300,000	-	-	-	300,000
Center for Strategic Leadership (CSL)	-	-	5,000	-	-	-	5,000
Advanced Strategic Education Program (ASEP)	-	-	126	-	-	-	126
Faculty grants	-	-	15,000	-	-	-	15,000

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**ARMY WAR COLLEGE FOUNDATION, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES BY PROGRAM (Continued)**  
**Year Ended July 31, 2022**

	Program Services			Support Services			Total Expenses
	Gift Shop	Member Services	Academic Program	Program Enhancement	Management and General	Fundraising	
Advanced Strategic Arts Program (ASAP)	-	-	20,000	-	-	-	20,000
Army Leader Day	-	-	1,500	-	-	-	1,500
Industry Day	-	-	5,053	-	-	-	5,053
Commandant Reading Program	-	-	3,500	-	-	-	3,500
Lecture series	-	-	3,125	-	-	-	3,125
USAWC New Building Projects	-	-	2,138,375	-	-	-	2,138,375
Student writing and speaking awards	-	-	9,000	750	-	-	9,750
Awards and recognitions	-	-	2,950	-	-	-	2,950
Conference support	-	-	7,047	-	-	-	7,047
International Fellows (IF)	-	-	-	90,000	-	-	90,000
Military family program	-	-	-	4,424	-	-	4,424
Managed accounts	-	-	-	166	-	-	166
Special events support	-	-	-	2,849	-	-	2,849
Outstanding alum program	-	-	-	4,711	-	-	4,711
Staff ride and AWCF Outreach	-	-	-	254,412	-	-	254,412
Protocol services	-	-	-	15,000	-	-	15,000
Corporate development	-	-	-	-	-	394	394
Press activities, royalties and production	-	-	-	23	-	-	23
Scholarships	-	15,500	-	13,000	-	-	28,500
Foundation support	7,904	3,421	-	-	-	1,577	12,902
Mailouts	-	-	-	-	-	21,578	21,578
Fundraising, advertising and marketing	719	-	-	-	175	-	894
Alumnus research	-	657	-	-	-	21	678
Miscellaneous	-	1,015	-	-	5,612	-	6,627
Defective merchandise write-off	226	-	-	-	-	-	226
Cost of goods sold and raffle costs	151,653	-	-	-	-	-	151,653
	<u>\$ 247,418</u>	<u>\$ 105,306</u>	<u>\$ 3,061,936</u>	<u>\$ 479,538</u>	<u>\$ 231,239</u>	<u>\$ 211,460</u>	<u>\$ 4,336,897</u>

**ARMY WAR COLLEGE FOUNDATION, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES BY PROGRAM**  
**Year Ended July 31, 2021**

	Program Services				Support Services		Total Expenses
	Gift Shop	Member Services	Academic Program	Program Enhancement	Management and General	Fundraising	
Salaries	\$ 41,802	\$ 52,909	\$ 43,350	\$ 54,450	\$ 131,217	\$ 188,341	\$ 512,069
Payroll taxes	2,950	4,058	3,316	4,165	10,286	14,408	39,183
Benefits - IRA Match	1,097	1,277	671	1,319	2,519	5,259	12,142
Depreciation	1,186	1,499	1,228	1,543	3,718	5,337	14,511
Legal and accounting	-	-	-	-	28,043	-	28,043
Bank, credit card and PayPal fees	9,453	-	-	-	6,926	-	16,379
Dues and subscriptions	-	-	-	-	793	-	793
Insurance	-	-	-	-	3,813	-	3,813
Leased equipment	-	-	-	-	3,893	-	3,893
Meals and entertainment	-	-	-	-	-	499	499
Stationary and supplies	579	464	348	348	232	348	2,319
Magazine	3,685	22,107	14,738	18,422	3,684	11,053	73,689
Postage and shipping	778	777	583	583	389	777	3,887
Telephone and internet	517	516	516	516	860	516	3,441
Automation	3,561	3,562	2,671	2,671	3,562	1,781	17,808
Gift shop supplies	2,555	-	-	-	-	-	2,555
Gift shop postage and merchandise shipping	7,870	-	-	-	-	-	7,870
Gifts-In-Kind to AWC	-	-	-	2,288	-	-	2,288
Chair of War Studies	-	-	10,000	-	-	-	10,000
Faculty augmentation	-	-	250,000	-	-	-	250,000
Advanced Strategic Education Program (ASEP)	-	-	25,000	-	-	-	25,000
Center for Strategic Leadership (CSL)	-	-	25,000	-	-	-	25,000

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**ARMY WAR COLLEGE FOUNDATION, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES BY PROGRAM (Continued)**  
**Year Ended July 31, 2021**

	Program Services			Support Services		Total Expenses	
	Gift Shop	Member Services	Academic Program	Program Enhancement	Management and General		Fundraising
USAWC New Building Projects	-	-	641	-	-	-	641
Student writing and speaking awards	-	-	3,500	-	-	-	3,500
Honoraria and Dean's programs	-	-	30	-	-	-	30
Awards and recognitions	-	-	8,320	-	-	-	8,320
International Fellows (IF)	-	-	-	42,610	-	-	42,610
Military family program	-	-	-	1,456	-	-	1,456
Special events support	-	-	-	1,758	-	-	1,758
Outstanding alum program	-	-	-	525	-	-	525
Staff ride and AWCF Outreach	-	-	-	82,506	-	-	82,506
Corporate development	-	-	-	-	-	8,807	8,807
Press activities, royalties and production	-	-	-	42,736	-	-	42,736
Scholarships	-	15,500	-	11,500	-	-	27,000
Foundation support	400	706	-	-	-	2,001	3,107
Mailouts	-	-	-	-	-	15,897	15,897
Fundraising, advertising and marketing	2,689	-	-	-	175	-	2,864
Alumnus research	-	696	-	-	-	-	696
Miscellaneous	-	1,943	-	-	171	-	2,114
Defective merchandise write-off	96	-	-	-	-	-	96
Cost of goods sold and raffle costs	112,959	-	-	-	-	-	112,959
	<u>\$ 192,177</u>	<u>\$ 106,014</u>	<u>\$ 389,912</u>	<u>\$ 269,396</u>	<u>\$ 200,281</u>	<u>\$ 255,024</u>	<u>\$ 1,412,804</u>