

**ARMY WAR COLLEGE
FOUNDATION, INC.**

FINANCIAL REPORT

JULY 31, 2023

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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, 2023 and 2022, 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, 2023 and 2022, 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.



Camp Hill, Pennsylvania
January 17, 2024

ARMY WAR COLLEGE FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
July 31, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 959,403	\$ 1,264,661
Receivables		
Contributions	15,207	603
Trade	528	1,886
Total receivables	15,735	2,489
Prepaid expenses	75,219	8,336
Inventories	149,005	114,526
Total current assets	1,199,362	1,390,012
Furniture and Equipment	823,105	201,414
Less accumulated depreciation	(161,405)	(152,785)
	661,700	48,629
Investments	18,833,411	19,585,135
Self-insured unemployment deposit	595	595
Total assets	\$ 20,695,068	\$ 21,024,371
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 75,488	\$ 2,125,654
Accrued payroll	3,103	2,215
Sales tax payable	365	305
Deferred revenue	90,000	-
Total current liabilities	168,956	2,128,174
Net Assets		
Without donor restrictions	16,114,011	14,095,474
With donor restrictions	4,412,101	4,800,723
Total net assets	20,526,112	18,896,197
Total liabilities and net assets	\$ 20,695,068	\$ 21,024,371

See Notes to Financial Statements.

ARMY WAR COLLEGE FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
Years Ended July 31, 2023 and 2022

	Total	
	2023	2022
Revenue, Gains and Other Support		
Contributions		
Cash and other financial assets	\$ 2,229,281	\$ 1,645,106
In-kind - non-financial assets	35,810	30,378
In-kind - financial assets	12,202	54,091
Membership income	119,316	137,221
Staff ride program support	85,300	136,492
Gift shop	308,190	231,661
Royalties	9,920	15,183
Miscellaneous income	2,891	879
Net assets released from restrictions	-	-
Total revenue, gains and other support	2,802,910	2,251,011
Expenses and Losses		
Program services	2,025,932	3,894,198
General and administrative	244,997	231,239
Fundraising	193,055	211,460
Total functional expenses	2,463,984	4,336,897
Changes in net assets before investment return	338,926	(2,085,886)
Investment Return, net	1,290,989	(1,345,120)
Changes in net assets	1,629,915	(3,431,006)
Net Assets:		
Beginning	18,896,197	22,327,203
Ending	<u>\$ 20,526,112</u>	<u>\$ 18,896,197</u>

See Notes to Financial Statements.

Without Donor Restrictions		With Donor Restrictions	
2023	2022	2023	2022
\$ 1,387,065	\$ 921,349	\$ 842,216	\$ 723,757
35,810	30,378	-	-
12,202	54,091	-	-
119,316	137,221	-	-
85,300	136,492	-	-
308,190	231,661	-	-
9,920	15,183	-	-
2,891	879	-	-
1,489,759	791,817	(1,489,759)	(791,817)
3,450,453	2,319,071	(647,543)	(68,060)
2,025,932	3,894,198	-	-
244,997	231,239	-	-
193,055	211,460	-	-
2,463,984	4,336,897	-	-
986,469	(2,017,826)	(647,543)	(68,060)
1,032,068	(1,105,709)	258,921	(239,411)
2,018,537	(3,123,535)	(388,622)	(307,471)
14,095,474	17,219,009	4,800,723	5,108,194
\$ 16,114,011	\$ 14,095,474	\$ 4,412,101	\$ 4,800,723

ARMY WAR COLLEGE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended July 31, 2023

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 202,769	\$ 135,478	\$ 136,584	\$ 474,831
Payroll taxes	15,328	10,454	10,474	36,256
Benefits - IRA Match	2,776	1,987	1,235	5,998
Depreciation	3,681	2,459	2,480	8,620
Legal and accounting	-	29,798	-	29,798
Bank, credit card and PayPal fees	10,856	8,083	-	18,939
Dues and subscriptions	-	784	-	784
Board member support	-	34,690	-	34,690
Insurance	-	6,046	-	6,046
Leased equipment	-	3,515	-	3,515
Travel	405	178	25	608
Meals and entertainment	-	-	388	388
Stationary and supplies	4,331	577	866	5,774
Magazine	72,236	4,515	13,544	90,295
Postage and shipping	4,106	587	1,173	5,866
Telephone and internet	2,350	979	587	3,916
Automation	16,420	4,692	2,346	23,458
Gift shop supplies	4,510	-	-	4,510
Gift shop postage and merchandise shipping	6,730	-	-	6,730
Gifts-In-Kind to AWC	30,729	-	-	30,729
DeSerio Chair of Strategic Intelligence	200,115	-	-	200,115
USAWC Web Journal	5,000	-	-	5,000
Chair of War Studies	240,000	-	-	240,000
Faculty augmentation	300,000	-	-	300,000
Center for Strategic Leadership (CSL)	30,000	-	-	30,000
Advanced Strategic Education Program (ASEP)	432	-	-	432

(Continued)

ARMY WAR COLLEGE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES (Continued)
Year Ended July 31, 2023

	Program Services	Management and General	Fundraising	Total
Advanced Strategic Arts Program (ASAP)	30,000	-	-	30,000
Army Leader Day	5,000	-	-	5,000
Industry Day	5,141	-	-	5,141
Commandant Reading Program	-	-	-	-
Lecture series	6,026	-	-	6,026
USAWC New Building Projects	60,948	-	-	60,948
Student Writing and Speaking Awards	2,750	-	-	2,750
Honoraria - NSS & Dean's, Carlisle Scholars	70,000	-	-	70,000
Awards and recognitions	9,000	-	-	9,000
International Fellows (IF)	95,000	-	-	95,000
Military Family Program	7,702	-	-	7,702
Managed accounts	257	-	-	257
Special events support	3,293	-	-	3,293
Outstanding Alum Program	4,590	-	-	4,590
Staff ride and AWCF Outreach	264,977	-	-	264,977
Protocol services	30,000	-	-	30,000
Press activities, royalties and production	29	-	-	29
Reunions and receptions	36,896	-	-	36,896
Scholarships	29,000	-	-	29,000
Foundation support	12,844	-	1,181	14,025
Mailouts	-	-	22,172	22,172
Fundraising, advertising and marketing	1,408	175	-	1,583
Alumnus research	670	-	-	670
Miscellaneous	5,207	-	-	5,207
Defective merchandise write-off	1,266	-	-	1,266
Cost of goods sold and raffle costs	191,154	-	-	191,154
	<u>\$2,025,932</u>	<u>\$ 244,997</u>	<u>\$ 193,055</u>	<u>\$2,463,984</u>

See Notes to Financial Statements.

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

(Continued)

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	4,250	-	-	4,250
Awards and recognitions	8,450	-	-	8,450
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.

STATEMENTS OF CASH FLOWS
Years Ended July 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Changes in net assets	\$ 1,629,915	\$ (3,431,006)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	8,620	13,568
Net realized and unrealized losses (gains) on investments	(761,126)	1,988,485
Donated stock	(12,202)	(54,091)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(13,246)	(2,041)
Prepaid expenses	(66,883)	(6,206)
Inventories	(34,479)	60,976
(Decrease) increase in:		
Accounts and sales tax payable	(2,050,106)	2,097,203
Accrued payroll	888	1,079
Deferred revenue	90,000	-
Net cash provided by (used in) operating activities	(1,208,619)	667,967
Cash Flows From Investing Activities		
Purchase of furniture and equipment	(621,691)	(7,105)
Purchases of investments	(523,971)	(3,934,833)
Proceeds from sale of investments	2,049,023	3,560,260
Net cash provided by (used in) investing activities	903,361	(381,678)
Net change in cash and cash equivalents	(305,258)	286,289
Cash and Cash Equivalents:		
Beginning	1,264,661	978,372
Ending	\$ 959,403	\$ 1,264,661
Supplemental Schedule of Noncash Investing Activities:		
Donated stock	\$ (12,202)	\$ (54,091)

See Notes to Financial Statements.

ARMY WAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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

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.

Leases: The Foundation leases equipment under long-term lease agreements. At the lease commencement date, the Foundation classifies its leases as either finance or operating based on the lease agreement terms. A lease is classified as a finance lease if certain criteria are met. If none of the lease classification criteria are met, the lease is classified as an operating lease. Finance leases are accounted for on the Foundation's balance sheet as a financial liability with a corresponding asset. Operating lease obligations are not accounted for on the Foundation's balance sheet. Lease payments for operating leases are expensed periodically over the term of the lease. Executory costs, such as insurance, taxes, maintenance, and repairs, are charged to expense as incurred. Improvements to leased property are capitalized as assets and are amortized over the longer of the lease term or the economic useful life of the asset.

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This ASU replaces the ASC Section 840 with ASC Section 842. ASC 842 is effective for annual periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022. The newly issued ASU requires entities to recognize a right-of use (ROU) asset and a corresponding lease liability for both operating and financing (formerly capital) leases. The Foundation's accounting for finance leases does not differ significantly from the new accounting standard. However, the Foundation's accounting for operating leases is not consistent with the new accounting standard. The effect of this departure is considered immaterial to the financial statements as a whole.

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.

ARMY WAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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

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, 2023, 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.

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, 2023.

Subsequent Events: In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through January 17, 2024, 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

Note 3. Liquidity and Availability

The following table reflects the Foundation's financial assets as of July 31, 2023 and 2022, 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.

	2023	2022
Financial assets at year-end:		
Cash and cash equivalents	\$ 959,403	\$ 1,264,661
Investments	18,833,411	19,585,135
Receivables	15,735	2,489
	<hr/>	<hr/>
Total financial assets	19,808,549	20,852,285
Less amounts not available to be used within one year:		
Net assets with donor restrictions		
subject to purpose restriction	1,069,979	1,474,532
Donor-restricted funds to be held in perpetuity	3,342,122	3,326,191
	<hr/>	<hr/>
	4,412,101	4,800,723
Financial assets available to meet general expenditures over the next twelve months	<hr/> <hr/>	<hr/> <hr/>
	\$ 15,396,448	\$ 16,051,562

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.

ARMY WAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. Investments

Investments measured at fair value consist of the following at July 31, 2023 and 2022:

	2023	
	Cost	Fair Market Value
Federal money market funds	\$ 374,396	\$ 374,396
Fixed income bond funds	4,235,065	3,998,503
Equity mutual funds	9,329,332	14,460,512
	<u>\$ 13,938,793</u>	<u>\$ 18,833,411</u>

	2022	
	Cost	Fair Market Value
Federal money market funds	\$ 33,330	\$ 938,890
Fixed income bond funds	3,872,399	3,860,978
Equity mutual funds	10,488,697	14,785,267
	<u>\$ 14,394,426</u>	<u>\$ 19,585,135</u>

Investment activity for the years ended July 31, 2023 and 2022, consists of the following:

	2023	2022
Balance, beginning of year	\$ 19,585,135	\$ 21,144,956
Contributions - donated stock	12,202	54,091
Investment Returns		
Interest and dividends	569,036	673,957
Realized gains	577,022	89,157
Unrealized gains (losses)	184,104	(2,077,642)
Net realized and unrealized gains(losses)	<u>761,126</u>	<u>(1,988,485)</u>
Investment-related fees	(45,065)	(31,898)
Net investment returns	<u>1,285,097</u>	<u>(1,346,426)</u>
Withdrawals	(2,049,023)	(267,486)
Balance, end of year	<u>\$ 18,833,411</u>	<u>\$ 19,585,135</u>

ARMY WAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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, 2023 and 2022:

	2023			
	Level 1	Level 2	Level 3	Total
Federal money market funds	\$ 374,396	\$ -	\$ -	\$ 374,396
Fixed income bond funds				
Short-term	3,998,503	-	-	3,998,503
Equity mutual funds				
Small blend	472,774	-	-	472,774
Mid-cap growth	1,836,433	-	-	1,836,433
Large blend	9,654,932	-	-	9,654,932
Other	2,496,373	-	-	2,496,373
	<u>\$ 18,833,411</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,833,411</u>
	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
Intermediate	-	-	-	-
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>

ARMY WAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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 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 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

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. 2023 and 2022 spending policies of 7.00% and 10.00% for DeSerio Chair, 7.00% and 7.00% for the Landpower Essay Program, 7.00% and 10.00% for the Far East Studies, 7.00% and 10.00% for the General Endowment and 3.00% and 3.00% 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, 2023 and 2022:

	2023	2022
Balance - beginning of year	\$ 3,326,191	\$ 3,911,635
Investment return:		
Interest and dividends	104,367	117,369
Net realized and unrealized (losses) gains	162,657	(351,034)
	(8,103)	(5,746)
Total investment return	258,921	(239,411)
Appropriation of endowment assets for expenditures	(242,990)	(346,033)
Balance - end of year	\$ 3,342,122	\$ 3,326,191

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:

	2023	2022
Subject to expenditures for specified purposes:		
Awards	\$ 31,673	\$ 27,048
Chaplain Moore Lecture	23,385	15,678
College programs and positions	130,971	174,901
DeSerio Chair of Strategic Theater Intelligence	106,561	143,115
General Endowment	236,395	498,653
International Fellows support	109,429	85,522
Landpower Essay	13,518	17,064
Lectures and events	140,098	147,704
Miscellaneous college support	37,193	13,187
New academic building	107,654	231,211
Scholarships	123,647	120,000
The Park Fund-Far East Studies	9,455	449
Not subject to appropriation of expenditures:		
Chaplain Moore Lecture	110,458	110,463
Landpower Essay	176,406	173,120
The Park Fund-Far East Studies	19,607	19,694
General Endowment	1,115,482	1,120,434
DeSerio Chair of Strategic Theater Intelligence	1,920,169	1,902,480
	<u>\$ 4,412,101</u>	<u>\$ 4,800,723</u>

Note 8. Satisfaction of Restrictions

	2023	2022
Satisfaction of purpose restrictions:		
Awards	\$ 8,000	\$ 6,250
College programs and positions	220,548	224,056
International Fellows support	116,239	111,546
Landpower Essay	5,000	5,500
Lectures and events	57,705	17,437
Miscellaneous college support	7,701	20,776
New academic building	475,251	39,975
Scholarships	11,325	13,315
The Park Fund-Far East Studies		6,929
General Endowment	345,000	-
Distributions from endowments	242,990	346,033
	<u>\$ 1,489,759</u>	<u>\$ 791,817</u>

ARMY WAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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:

	2023	2022
Donated books	\$ 1,453	\$ 1,696
Donated tickets	21,238	21,546
Donated goods	13,119	7,136
	<u>\$ 35,810</u>	<u>\$ 30,378</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:

	2023	2022
Donated stocks	<u>\$ 12,202</u>	<u>\$ 54,091</u>

SUPPLEMENTARY INFORMATION

ARMY WAR COLLEGE FOUNDATION, INC.

SCHEDULE OF FUNCTIONAL EXPENSES BY PROGRAM
Year Ended July 31, 2023

	Program Services			Support Services			Total
	Gift Shop	Member Services	Academic Program	Program Enhancement	Management and General	Fundraising	
Salaries	\$ 49,818	\$ 57,556	\$ 53,724	\$ 41,671	\$ 135,478	\$ 136,584	\$ 474,831
Payroll taxes	3,739	4,648	3,756	3,185	10,454	10,474	36,256
Benefits - IRA Match	955	1,125	260	436	1,987	1,235	5,998
Depreciation	905	1,045	975	756	2,459	2,480	8,620
Legal and accounting	-	-	-	-	29,798	-	29,798
Bank, credit card and PayPal fees	10,856	-	-	-	8,083	-	18,939
Dues and subscriptions	-	-	-	-	784	-	784
Board member support	-	-	-	-	34,690	-	34,690
Insurance	-	-	-	-	6,046	-	6,046
Leased equipment	-	-	-	-	3,515	-	3,515
Travel	170	235	-	-	178	25	608
Meals and entertainment	-	-	-	-	-	388	388
Stationary and supplies	1,444	1,155	866	866	577	866	5,774
Magazine	4,514	27,089	18,059	22,574	4,515	13,544	90,295
Postage and shipping	1,173	1,173	880	880	587	1,173	5,866
Telephone and internet	589	587	587	587	979	587	3,916
Automation	4,690	4,692	3,519	3,519	4,692	2,346	23,458
Gift shop supplies	4,510	-	-	-	-	-	4,510
Gift shop postage and merchandise shipping	6,730	-	-	-	-	-	6,730
Gifts-In-Kind to AWC	-	-	-	30,729	-	-	30,729
DeSerio Chair of Strategic Intelligence	-	-	200,115	-	-	-	200,115
USAWC Web Journal	-	-	5,000	-	-	-	5,000
Chair of War Studies	-	-	240,000	-	-	-	240,000
Faculty augmentation	-	-	300,000	-	-	-	300,000
Center for Strategic Leadership (CSL)	-	-	30,000	-	-	-	30,000
Advanced Strategic Education Program (ASEP)	-	-	432	-	-	-	432

(Continued)

ARMY WAR COLLEGE FOUNDATION, INC.

SCHEDULE OF FUNCTIONAL EXPENSES BY PROGRAM (Continued)

Year Ended July 31, 2023

	Program Services			Support Services			Total Expenses
	Gift Shop	Member Services	Academic Program	Program Enhancement	Management and General	Fundraising	
Advanced Strategic Arts Program (ASAP)	-	-	30,000	-	-	-	30,000
Army Leader Day	-	-	5,000	-	-	-	5,000
Industry Day	-	-	5,141	-	-	-	5,141
Commandant Reading Program	-	-	-	-	-	-	-
Lecture series	-	-	6,026	-	-	-	6,026
USA WC New Building Projects	-	-	60,948	-	-	-	60,948
Student writing and speaking awards	-	-	2,500	250	-	-	2,750
Honoraria - NSS & Dean's, Carlisle Scholars	-	-	70,000	-	-	-	70,000
Awards and recognitions	-	-	9,000	-	-	-	9,000
International Fellows (IF)	-	-	-	95,000	-	-	95,000
Military family program	-	-	-	7,702	-	-	7,702
Managed accounts	-	-	-	257	-	-	257
Special events support	-	-	-	3,293	-	-	3,293
Outstanding alum program	-	-	-	4,590	-	-	4,590
Staff ride and AWCf Outreach	-	-	-	264,977	-	-	264,977
Protocol services	-	-	-	30,000	-	-	30,000
Press activities, royalties and production	-	-	-	29	-	-	29
Reunions and receptions	-	-	-	36,896	-	-	36,896
Scholarships	-	17,500	-	11,500	-	-	29,000
Foundation support	4,975	7,869	-	-	-	1,181	14,025
Mailouts	-	-	-	-	-	22,172	22,172
Fundraising, advertising and marketing	1,408	-	-	-	175	-	1,583
Alumnus research	-	670	-	-	-	-	670
Miscellaneous	-	5,207	-	-	-	-	5,207
Defective merchandise write-off	1,266	-	-	-	-	-	1,266
Cost of goods sold and raffle costs	191,154	-	-	-	-	-	191,154
	\$ 288,896	\$ 130,551	\$ 1,046,788	\$ 559,697	\$ 244,997	\$ 193,055	\$ 2,463,984

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

(Continued)

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	-	-	3,500	750	-	-	4,250
Awards and recognitions	-	-	8,450	-	-	-	8,450
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
	\$ 247,418	\$ 105,306	\$ 3,061,936	\$ 479,538	\$ 231,239	\$ 211,460	\$ 4,336,897