

**The Association of Graduates of the
United States Military Academy
d/b/a West Point Association of Graduates**

Financial Statements

December 31, 2019 and 2018

The Association of Graduates of the United States Military Academy

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Independent Auditors' Report

To the Board of Directors of
The Association of Graduates of the United States Military Academy

We have audited the accompanying financial statements of The Association of Graduates of the United States Military Academy, d/b/a West Point Association of Graduates (the Association), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets 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.

Auditors' 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Association of Graduates of the United States Military Academy as of December 31, 2019 and 2018, and the results of its activities, changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

New York, New York
April 24, 2020

The Association of Graduates of the United States Military Academy

Statements of Financial Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,244,015	\$ 3,957,119
Restricted cash	6,273,780	5,367,927
Pledges receivable, net	3,538,813	3,888,999
Inventories and other assets	871,611	573,420
Investments	<u>233,946,107</u>	<u>177,444,002</u>
Total current assets	246,874,326	191,231,467
Pledges Receivable, Net	15,671,581	15,206,533
Investments	197,012,155	180,850,700
Split-Interest and Other Trusts	31,328,519	23,808,125
Investments Restricted by Agreements	5,807,205	5,914,935
Building and Equipment, Net	<u>6,594,294</u>	<u>7,115,074</u>
Total assets	<u><u>\$ 503,288,080</u></u>	<u><u>\$ 424,126,834</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 3,733,292	\$ 3,241,662
Proffer payable	9,863,185	14,852,686
Deferred revenue	<u>148,618</u>	<u>103,002</u>
Total current liabilities	13,745,095	18,197,350
Deferred Obligations	3,385,945	3,770,542
Liabilities, Remainder Trusts	4,159,592	3,906,634
Due to Classes	2,839,839	2,662,877
Deferred Compensation	<u>656,469</u>	<u>567,228</u>
Total liabilities	<u>24,786,940</u>	<u>29,104,631</u>
Net Assets		
Without donor restrictions	57,176,895	43,478,022
With donor restrictions	<u>421,324,245</u>	<u>351,544,181</u>
Total net assets	<u>478,501,140</u>	<u>395,022,203</u>
Total liabilities and net assets	<u><u>\$ 503,288,080</u></u>	<u><u>\$ 424,126,834</u></u>

See notes to financial statements

The Association of Graduates of the United States Military Academy

Statements of Activities and Changes in Net Assets
Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Contributions	\$ 961,199	\$ 51,934,847	\$ 52,896,046	\$ 688,291	\$ 47,951,871	\$ 48,640,162
Bequests	1,679,729	596,367	2,276,096	5,783,439	435,022	6,218,461
Royalties	616,248	82,199	698,447	501,635	80,073	581,708
Return on investments	5,593,213	3,430,993	9,024,206	6,459,123	8,308,915	14,768,038
Sales, gift shop	2,200,188	-	2,200,188	2,177,900	-	2,177,900
Subscriptions and advertising	183,734	-	183,734	161,923	-	161,923
Alumni activities	1,114,595	67,486	1,182,081	927,146	25,735	952,881
Other	476,754	260,376	737,130	342,262	(90,190)	252,072
Net Assets Released From Restriction						
Satisfaction of program restriction	26,563,780	(26,563,780)	-	23,828,480	(23,828,480)	-
Reimbursement for administrative and development expenses	5,285,391	(5,285,391)	-	4,733,636	(4,733,636)	-
Transfers, net	595,482	(595,482)	-	414,491	(414,491)	-
Total revenues, gains and other support	45,270,313	23,927,615	69,197,928	46,018,326	27,734,819	73,753,145
Expenses						
Program services:						
Alumni services	4,612,426	-	4,612,426	3,761,558	-	3,761,558
Educational and historical	26,285,753	-	26,285,753	23,572,831	-	23,572,831
Communications and marketing	1,226,144	-	1,226,144	1,154,977	-	1,154,977
Provision for (recovery of) uncollectible pledges, net	-	(826,345)	(826,345)	-	1,740,452	1,740,452
Supporting services:						
Management and administration	4,612,008	-	4,612,008	4,112,000	-	4,112,000
Fundraising	7,331,783	-	7,331,783	7,135,394	-	7,135,394
Total expenses	44,068,114	(826,345)	43,241,769	39,736,760	1,740,452	41,477,212
Change in net assets before investment transactions	1,202,199	24,753,960	25,956,159	6,281,566	25,994,367	32,275,933
Net Realized and Unrealized Gains (Losses) on Investments	12,496,674	45,026,104	57,522,778	(7,525,187)	(27,888,872)	(35,414,059)
Change in net assets	13,698,873	69,780,064	83,478,937	(1,243,621)	(1,894,505)	(3,138,126)
Net Assets, Beginning	43,478,022	351,544,181	395,022,203	44,721,643	353,438,686	398,160,329
Net Assets, Ending	\$ 57,176,895	\$ 421,324,245	\$ 478,501,140	\$ 43,478,022	\$ 351,544,181	\$ 395,022,203

See notes to financial statements

The Association of Graduates of the United States Military Academy

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>As Adjusted 2018</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 83,478,937	\$ (3,138,126)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions for donor restricted endowment funds	(8,773,963)	(6,853,173)
Net realized and unrealized (gain) loss on investments	(57,522,778)	35,414,059
Depreciation on building and equipment	807,299	779,284
Increase in value of trusts and investments restricted by agreements	(6,448,780)	(2,901,797)
Changes in:		
Pledges receivable	259,387	(3,160,649)
Inventories and other assets	(298,191)	(28,564)
Accounts payable, accrued expenses and deferred compensation	580,871	29,270
Proffer payable	(4,989,501)	(660,539)
Deferred obligations and revenue	(338,981)	(204,016)
Liabilities associated with remainder trusts	252,958	(813,051)
Due to classes	176,962	109,639
	<u>7,184,220</u>	<u>18,572,337</u>
Cash Flows From Investing Activities		
Purchase of investments	(104,531,026)	(172,689,399)
Proceeds from sale and maturity of investments	89,390,244	142,193,117
Purchase of building improvements and equipment	(286,519)	(481,354)
Receipts from settlement of split-interest agreements	3,070,562	1,640,211
Purchase of investments restricted by agreements	(4,034,446)	(475,699)
	<u>(16,391,185)</u>	<u>(29,813,124)</u>
Cash Flows From Financing Activities		
Proceeds from contributions for donor restricted endowment funds	8,773,963	6,853,173
Changes in pledges receivable restricted for long-term investment	(374,249)	(438,840)
	<u>8,399,714</u>	<u>6,414,333</u>
Net cash provided by financing activities	<u>8,399,714</u>	<u>6,414,333</u>
Net decrease in cash and cash equivalents and restricted cash	(807,251)	(4,826,454)
Cash, Cash Equivalents and Restricted Cash, Beginning	<u>9,325,046</u>	<u>14,151,500</u>
Cash, Cash Equivalents and Restricted Cash, Ending	<u>\$ 8,517,795</u>	<u>\$ 9,325,046</u>

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position to the above statements of cash flows:

Cash and cash equivalents	\$ 2,244,015	\$ 3,957,119
Restricted cash	<u>6,273,780</u>	<u>5,367,927</u>
Total cash, cash equivalents and restricted cash	<u>\$ 8,517,795</u>	<u>\$ 9,325,046</u>

See notes to financial statements

The Association of Graduates of the United States Military Academy

Notes to Financial Statements

December 31, 2019 and 2018

1. Organization and Summary of Significant Accounting Policies

The Association of Graduates of the United States Military Academy, d/b/a West Point Association of Graduates (the Association), is an organization dedicated to furthering the ideals and promoting the welfare of the United States Military Academy (the Academy). The Association is exempt from federal income tax under the Internal Revenue Code. However, income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Association qualifies for the charitable contribution deduction under Internal Revenue Code (the Code) rules and has been classified as an organization that is not a private foundation.

On June 12, 2014, the Association created the West Point Athletics Limited Liability Corporation (the LLC) with the Association as its sole member. The Association consolidates the LLC and has eliminated all intercompany accounts and transactions. The primary purpose of the LLC is to assist the Academy in its objective to improve the intercollegiate athletic program. Under applicable U.S. Treasury regulations, the LLC is disregarded as a separate entity for income tax purposes and is reported within the Association's *Federal Return of Organization Exempt from Income Tax*.

Basis of Accounting

The financial statements of the Association have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Association follows accounting and reporting guidelines established by the Financial Accounting Standards Board (FASB). The Association records written unconditional promises to give (pledges) as receivables and revenue, and in addition, distinguishes between contributions received for each net asset category in accordance with donor imposed restrictions. The Association has established standards for financial reporting, including the classification of resources into two classes of net assets: without donor restrictions and with donor restrictions, based upon the absence or existence and nature of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Association pursuant to those stipulations or that expire by passage of time. Includes endowment assets to be held in perpetuity for which the income earned can be used for specific donor-stipulated purposes.

Cash and Cash Equivalents

The Association considers highly liquid debt instruments with original maturities of three months or less to be cash equivalents, excluding amounts held in investments.

The Association places its cash and cash equivalents with high quality financial institutions where, balances generally exceed the Federal Deposit Insurance Corporation (the FDIC) insurance limits. Accounts at each institution are insured by the FDIC up to \$250,000 for interest and noninterest bearing accounts.

Restricted Cash

Restricted cash consists of cash and cash equivalents restricted for use based on donor designations.

The Association of Graduates of the United States Military Academy

Notes to Financial Statements

December 31, 2019 and 2018

Promises to Give

Unconditional written promises to give (pledges) are recognized as contribution revenue in the period received and as assets. Promises to give are recorded at net realizable value and are discounted at an appropriate rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible promises to give is provided based upon management's judgment, including such factors as due date (aging), prior collection history, type of contribution, and nature of fundraising activity. Conditional promises to give are recognized when the conditions on which they depend are met.

Proffer Payable

Proffer payable represents unconditional promises to grant funds to the United States Military Academy that have been offered prior to year-end, but remain unpaid as of the statements of financial position date.

The Association, in accordance with Army Regulations, proffers gifts it intends to make to the United States Military Academy, similar to making a promise to give. Proffers are recorded as liabilities at the time they are offered and accepted. They are generally paid within a one year period.

Split-Interest and Other Trust Agreements

The Association is a party to various types of split-interest and other trust agreements whereby the donor makes an initial gift in which the Association has a beneficial interest but may not be the sole beneficiary. These agreements include charitable remainder trusts, pooled life income funds, gift annuities, other types of trusts and irrevocable bequests and are reported at fair value.

Inventories

Inventories consist of gift shop items and are stated at the lower of cost (first-in, first-out method) or net realizable value.

Building and Equipment

Building and equipment are carried at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method and is based on the assets' estimated useful lives between three and five years for computer equipment, five and ten years for furniture and fixtures, ten to fifteen years for building improvements and equipment and forty years for the building.

Donated Property and Securities

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated fair value at date of donation. Donated marketable securities are recorded at their fair value at date of donation. Absent donor restrictions to the contrary, donated securities are sold immediately. Contributions for the year ended December 31, 2019, include \$3,673,505 of donated securities (\$4,899,960 in 2018).

In 2019, the Association received no donated property. In 2018, the Association received donated property of \$3,042,028 that was converted to cash during the year.

The Association of Graduates of the United States Military Academy

Notes to Financial Statements

December 31, 2019 and 2018

Investments

Investments in short-term investments, equity securities and other investments with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Return on investments (including investments, interest and dividends) and net realized and unrealized gains (losses) on investment are included in change in net assets without donor restrictions unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

Due to Classes

The Association maintains commingled brokerage accounts consisting of cash and investments, on behalf of various graduated classes. These assets are recorded in the statements of financial position as investments, along with an offsetting liability. This liability is presented in the statements of financial position as due to classes in the amounts of \$2,839,839 and \$2,662,877 at December 31, 2019 and 2018, respectively.

Revenue With and Without Donor Restriction

Contributions received are recorded as revenue with or without donor restrictions, depending on the existence and/or nature of any donor restrictions, and are reported as an increase in net assets with or without donor restrictions. When a restriction expires (that is, when the purpose restriction is accomplished or time restriction passes), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

Deferred Obligations and Revenue

Deferred obligations and revenue consists primarily of obligations for payments relating to pooled life income funds and charitable gift annuities.

Tax Status and Expense

The Association is classified for tax purposes as an organization under Section 501(c)(3) of the Code and, except for unrelated business income, is exempt from income taxes under Section 501(a) of the Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

The income tax positions taken by the Association for any years open under the various statutes of limitations are that the Association continues to be exempt from income taxes and that the Association earns revenues from certain activities which are considered unrelated business taxable income under the Code. In both 2019 and 2018, however, unrelated business income (net of applicable expenses) resulted in no material tax expense. The Association believes that there are no tax positions taken or expected to be taken that would significantly increase or decrease unrecognized tax expenses or benefits within 12 months of the reporting date. None of the Association's federal or state income tax returns are currently under examination by the Internal Revenue Service (IRS) or state authorities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Association of Graduates of the United States Military Academy

Notes to Financial Statements

December 31, 2019 and 2018

Reclassifications

Certain reclassifications have been made to the 2018 balances previously reported to conform to the current year presentation. The reclassifications have no effect on reported amounts of net assets or change in net assets.

Subsequent Events

Subsequent events have been evaluated for recognition or disclosure through April 24, 2020, the date when the financial statements were available to be issued.

Accounting Standards Adopted in the Current Year

In May 2014, the FASB issued ASU No. 2014-09, *Revenue From Contracts With Customers*. This new accounting guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. The standard's core principle is that an entity will recognize revenue when it transfers promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. ASU No. 2014-09 was adopted by the Association and was applied retrospectively for the years ended December 31, 2019 and 2018. There have been no significant changes to the financial statements as a result of the adoption of this ASU.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The ASU applies to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows. The ASU addresses diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. The ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU does not provide a definition of restricted cash or restricted cash equivalents. ASU No. 2016-18 was adopted by the Association and applied retrospectively to all periods presented. Adoption of the ASU resulted in the Association reclassifying \$5,367,927 from cash and cash equivalents to restricted cash as of December 31, 2018.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 was adopted by the Association in conjunction with the adoption of ASU 2014-09. There has been no significant changes to the financial statements as a result of the adoption of this ASU.

Accounting Standards Not Yet Adopted

During August 2018, the FASB issued ASU No. 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. ASU No. 2018-13 modifies the disclosure requirements for fair value measurements in Topic 820, Fair Value Measurement. The amendments are based on the concepts in the FASB Concepts Statement, *Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements*, which the Board finalized on August 28, 2018. ASU No. 2018-13 is effective for the Association beginning January 1, 2020. The Association is currently assessing the effect that ASU No. 2018-13 will have on its results of operation, financial position and cash flows.

The Association of Graduates of the United States Military Academy

Notes to Financial Statements

December 31, 2019 and 2018

2. Liquidity and Availability

The Association's financial assets available within one year of the balance sheet date for general expenditure such as operating expenses and proffers to the Academy or AWPAA are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,244,015	\$ 3,957,119
Pledges receivable, net	3,538,813	3,888,999
Investments	<u>233,946,107</u>	<u>177,444,002</u>
Total	<u>\$ 239,728,935</u>	<u>\$ 185,290,120</u>

The Association's endowment funds consist of donor-restricted endowments and endowments without donor restriction. Income from donor-restricted endowments which is restricted for specific purposes is not available for general expenditure. As described in Note 15, the endowments without donor restriction have a spending rate of 4.5 percent.

As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Association invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Association has an unsecured line of credit in the amount of \$7 million, which, as of December 31, 2019, had not been drawn. Although the Association does not intend to spend from its funds, other than amounts appropriated for general expenditure as part of its annual budget approval process, amounts from the funds could be used if necessary.

3. Pledges Receivable

Pledges receivable are written unconditional promises to give. The Association recognizes potentially uncollectible pledges and provides an allowance for the estimated uncollectible amount. Pledges receivable, net of the discount to present value (at a risk adjusted rate of 3 percent) and the allowance for uncollectible pledges, are as follows:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Gross unconditional promises to give	\$ 28,071,622	\$ 29,360,390
Less allowance for uncollectible pledges	(7,190,126)	(8,016,471)
Less discounts to net present value	<u>(1,671,102)</u>	<u>(2,248,387)</u>
Net unconditional promises to give	<u>\$ 19,210,394</u>	<u>\$ 19,095,532</u>
Amounts due in:		
Less than one year, net of allowance	<u>\$ 3,538,813</u>	<u>\$ 3,888,999</u>
Amounts due in:		
One to five years, net of allowance and discount	8,714,806	8,914,577
More than five years, net of allowance and discount	<u>856,527</u>	<u>1,349,770</u>
	9,571,333	10,264,347
To be held in perpetuity, net of allowance and discount	<u>6,100,248</u>	<u>4,942,186</u>
	<u>\$ 15,671,581</u>	<u>\$ 15,206,533</u>

The Association of Graduates of the United States Military Academy

Notes to Financial Statements

December 31, 2019 and 2018

4. Investments

Investments, including pooled life income funds and gift annuities, are presented in the financial statements at fair value and are categorized as follows:

	December 31,	
	2019	2018
Investments	\$ 430,958,262	\$ 358,294,702
Investments, pooled life income funds	1,329,218	1,250,630
Investments, gift annuities	4,477,987	4,664,305
Investments restricted by agreements	5,807,205	5,914,935
Total	<u>\$ 436,765,467</u>	<u>\$ 364,209,637</u>

Investments are comprised of the following:

	December 31,	
	2019	2018
Short-term investments (money markets)	\$ 18,286,869	\$ 22,689,347
Fixed income funds	70,230,351	59,056,113
Equity securities	270,451,396	211,884,842
Alternative investments	76,725,198	68,538,447
Other	1,071,653	2,040,888
Total	<u>\$ 436,765,467</u>	<u>\$ 364,209,637</u>

Return on investments, gains and losses on investment transactions are comprised of the following:

	December 31,	
	2019	2018
Without donor restrictions:		
Return on investments (interest and dividends)	<u>\$ 5,593,213</u>	<u>\$ 6,459,123</u>
Net realized gains on sale of investments	\$ 1,613,490	\$ 2,809,234
Net unrealized gains (losses) on investments	10,883,184	(10,334,421)
	<u>\$ 12,496,674</u>	<u>\$ (7,525,187)</u>
With donor restrictions:		
Return on investments (interest and dividends)	<u>\$ 3,430,993</u>	<u>\$ 8,308,915</u>
Net realized gains on sale of investments	\$ 5,526,875	\$ 12,454,203
Net unrealized gains (losses) on investments	39,499,229	(40,343,075)
	<u>\$ 45,026,104</u>	<u>\$ (27,888,872)</u>

Investment gains (losses) on endowment investments required to be held in perpetuity are reported as increases (decreases) in net assets with or without donor restrictions depending upon donor restrictions placed on the use of the investment income.

The Association of Graduates of the United States Military Academy

Notes to Financial Statements

December 31, 2019 and 2018

5. Fair Value Measurements

Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell an asset occurs in the principal market for the asset, or in the absence of a principal market, the most advantageous market for the asset. The principal market is the market in which the reporting entity would sell or transfer the asset with the greatest volume or level of activity for the asset. In determining the principal market for an asset, it is assumed that the reporting entity has access to the market as of the measurement date. If no market for the asset exists or if the reporting entity does not have access to the principal market, the reporting entity uses a hypothetical market.

The level of fair value inputs used to measure investments is characterized in accordance with an established fair value hierarchy. Where inputs for an investment fall in more than one level in the fair value hierarchy, the investment is classified in its entirety based on the lowest level input that is significant to that investment's fair value measurement. Management uses judgment and considers factors specific to the investment in determining the significance of an input to a fair value measurement. The three levels of the fair value hierarchy and investments that fall into each of the levels are described as follows:

- Level 1 - Inputs are unadjusted quoted market prices in active markets that are accessible at the measurement date for identical assets.
- Level 2 - inputs are other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 - inputs are unobservable and cannot be corroborated by observable market data.

The following fair value hierarchy table sets forth the investment portfolio by level as of December 31, 2019 and 2018 where carrying value equals fair value (refer to Note 6 for split-interests and other trusts):

	2019			
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Short-term investments	\$ 18,110,191	\$ 176,678	\$ -	\$ 18,286,869
Fixed income funds:				
Mortgage backed	11,524,652	-	-	11,524,652
Government funds	58,705,699	-	-	58,705,699
Equity funds:				
Domestic equity	23,062,118	-	-	23,062,118
International equity	106,953,572	-	-	106,953,572
Alternative investments:				
Fund of funds	-	-	1,705,523	1,705,523
Real estate funds	-	-	200,644	200,644
Other funds	1,071,652	-	-	1,071,652
Total assets in the fair value hierarchy	<u>\$ 219,427,884</u>	<u>\$ 176,678</u>	<u>\$ 1,906,167</u>	221,510,729
Assets recorded at net asset value (a)				<u>215,254,738</u>
Assets at fair value				<u>\$ 436,765,467</u>

The Association of Graduates of the United States Military Academy

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	2018			Total
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Short-term investments	\$ 22,406,513	\$ 282,834	\$ -	\$ 22,689,347
Fixed income funds:				
Mortgage backed	10,001,995	-	-	10,001,995
Government funds	49,054,118	-	-	49,054,118
Equity securities:				
Domestic equity	18,112,176	-	-	18,112,176
International equity	84,837,506	-	-	84,837,506
Alternative investments:				
Fund of funds	-	-	2,772,613	2,772,613
Real estate funds	-	-	1,338,252	1,338,252
Other funds	2,040,888	-	-	2,040,888
 Total assets in the fair value hierarchy	 <u>\$ 186,453,196</u>	 <u>\$ 282,834</u>	 <u>\$ 4,110,865</u>	 190,846,895
 Assets recorded at net asset value (a)				 <u>173,362,742</u>
 Assets at fair value				 <u>\$ 364,209,637</u>

(a) In accordance with ASU No. 2015-07, certain investments that are measured at net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

The basis of fair value for underlying assets is as follows:

- Short-term investments consist of money market and bond funds in which the carrying value approximates fair value because of the short maturity of these instruments.
- Fixed income, equity funds and other funds classified as Level 1 are valued at the last sales price on the date of valuation or, if no sale occurred on such date, at the last bid price thereon.
- Fund of funds and real estate funds classified as Level 3 include private capital securities that are generally valued according to the mark-to-market method which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations or the income approach, in which market expectations of future cash flows or earnings are converted to a present value. However, in some instances, it may be most appropriate to value an investment at cost, if little has changed since the initial investment in the company. This valuation process is often used in the early years of investments in a private company, and in these instances cost is reflective of fair value.

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- The Association has entered into several agreements with Commonfund, a nonprofit investment manager, to invest in various partnerships. Two of these agreements contain provisions for capital calls by the general partner up to specified amounts. Total capital committed under the agreements amounts to \$5,000,000 and the total amount of capital contributed to the partnerships by the Association as of December 31, 2019 was \$4,913,000. This investment is included in alternative investments as Level 3 in the fair value table. As capital calls are received, other investments are sold and the proceeds and available cash are used to fulfill the capital call. The Association has also entered into an agreement with AEW Capital Management, LP, to invest in a real estate investment trust. This agreement contains provisions for capital calls by the general partner up to specified amounts. Total capital committed under the agreement amounts to \$3,000,000. Capital calls funded by the Association as of December 31, 2019 are \$2,720,518. In accordance with these agreements, the redemption period for these funds range from 7 to 10 years and they are classified as fund of funds and real estate funds Level 3 investments in the fair value table.
- Certain equity, real estate and limited partnership funds are valued based on the net asset value (NAV) of a share. Fair value is determined by reference to the fund's reported NAV per share as a practical expedient, unless it is probable that the investment will be disposed at some value other than NAV per share in which case reference would be made to the expected disposal price or other indicators of value. The investments valued using the NAV per share include a strategy that invests in publicly traded equity securities, fixed income securities and marketable alternative investments.

The following table sets forth a summary of changes in fair value of investments measured using Level 3 inputs for the year ended December 31:

	<u>2019</u>	<u>2018</u>
Balance, beginning	\$ 4,110,865	\$ 4,124,762
Purchases	5,000	56,000
Earnings	(210,542)	572,202
Sales	<u>(1,999,156)</u>	<u>(642,099)</u>
Balance, ending	<u>\$ 1,906,167</u>	<u>\$ 4,110,865</u>

Overall challenges to the economic environment have created significant financial market volatility and illiquidity. The Association is not immune to the impacts of these market conditions. It should be noted that it is at least possible that fair values could change rapidly.

Investments are primarily pooled in investment portfolios containing multiple funds with and without donor restrictions. The investment income is allocated to the individual funds within the pool based upon the proportional invested balance of each fund.

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Fair Value of Investments Recorded at Net Asset Value as a Practical Expedient

The following table sets forth additional disclosures of the Association's investments in whose fair value is estimated using the net asset value per share (or its equivalent) as a practical expedient to fair value as of December 31, 2019 and 2018:

	2019			
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Restriction/Terms
Domestic equity funds	\$ 140,435,706	\$ N/A	N/A	N/A
Private equity: Drawdown partnerships (a)	13,311,258	17,950,494	1 to 11 years	Redemptions not permitted
Long/short equity funds	49,051,937	N/A	N/A	Quarterly or Annual with notice period from 45-65 days
Real estate: Drawdown partnerships (a)	2,255,447	4,795,744	8 to 12 years	Redemptions not permitted
Real estate: Income and growth fund	10,200,390	N/A	N/A	Quarterly with 60 days notice
Total	<u>\$ 215,254,738</u>	<u>\$ 22,746,238</u>		
	2018			
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Restriction/Terms
Domestic equity funds	\$ 108,935,160	\$ N/A	N/A	N/A
Private equity: Drawdown partnerships (a)	9,292,493	21,696,075	1 to 12 years	Redemptions not permitted
Long/short equity funds	46,140,954	N/A	N/A	Quarterly or Annual with notice period from 45-65 days
Real estate: Drawdown partnerships (a)	894,730	5,986,425	9 to 13 years	Redemptions not permitted
Real estate: Income and growth fund	8,099,405	N/A	N/A	Quarterly with 60 days notice
Total	<u>\$ 173,362,742</u>	<u>\$ 27,682,500</u>		

(a) Certain limited partnership funds are held as long-term investments and are structured as closed-end, commitment-based investment funds where the investor commits a specified amount of capital upon inception of the fund which is then drawn down over a specified period of the fund's life. These funds generally cannot be redeemed prior to the specified termination date and will only receive distributions upon a disposition of the underlying assets of the portfolio. As a limited partner, the Association will not generally have any influence over the amount and timing of capital contributions and distributions.

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6. Split-Interest Trusts, Other Trusts and Investments Restricted by Agreements

The Association is the beneficiary of various split-interest agreements, investments restricted by agreements and other trusts as follows:

Irrevocable Trusts and Others

Donors have established irrevocable trusts held by third party trustees. The trusts consist of various investment portfolios. Pursuant to the respective trust agreements, the donor's designated beneficiary is entitled to the income earned on the trust during the beneficiary's lifetime, and upon death the assets in the trust will be available to the Association. The present value of the estimated amount to be received was calculated using a risk adjusted discount rate (approximately 5 percent) and the applicable mortality table.

Remainder Trusts

Donors have established charitable remainder trusts naming the Association as the trustee. Charitable remainder trusts provide for the payment of distributions to designated beneficiaries over the trusts' terms (usually the designated beneficiary's lifetime). At the end of each trust's term, the remaining assets are available for the Association's use, subject to the donor-imposed restrictions. Assets held in charitable remainder trusts totaled \$6,767,020 at December 31, 2019 (\$7,183,266 in 2018) and are recorded at estimated realizable value. On an annual basis the Association revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments (\$4,159,592 and \$3,906,634 at December 31, 2019 and 2018, respectively) is calculated using a discount rate (approximately 3 percent) and applicable mortality tables.

Donors have established charitable remainder trusts for which the Association is not the trustee. The present value of the estimated beneficial interest to be received at the end of the trusts' terms (usually the designated beneficiary's lifetime) totaled \$14,405,253 at December 31, 2019 (\$9,550,789 at 2018).

Perpetual Trust

A donor has established a perpetual trust under which the Association receives 35 percent of the trust's 5 percent annual distribution. The asset is recorded based on the net present value of future cash flows expected to be received.

Pooled Life Income Funds

The Association has a pooled life income fund whereby donors contribute into an investment pool and are assigned a specific number of units. The donor or designated beneficiary receives an allocation of income on a quarterly basis. Upon the death of the beneficiary, the value of the assigned units reverts to the Association. The Association's remainder interest in the assets received is measured at the fair value of the assets to be received discounted for the estimated time period until the death of the designated beneficiary using the applicable mortality tables. The liability for future payments is recorded as deferred obligations and approximated \$601,487 at December 31, 2019 (\$586,468 in 2018).

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Gift Annuities

The Association receives certain gifts whereby it is contractually obligated to make periodic payments to the donor for the remainder of his or her life. Currently, gift annuity contributions are deposited into an investment portfolio at a financial institution. The assets received are recorded at fair value and an annuity payment liability is recorded as deferred obligations at the present value of the future cash flows expected to be paid to the designated beneficiary using the applicable mortality table. At December 31, 2019, deferred obligations associated with gift annuities approximated \$2,784,458 (\$3,184,074 in 2018).

As required by insurance law, the Association maintains an annuity reserve greater than 115 percent of associated liabilities. The reserve requirement is met using the specific assets and liabilities of the pooled life income funds and gift annuities. At December 31, 2019 and 2018, the Association maintained sufficient assets in excess of liabilities to fulfill the requirement under the law. The Association was in full compliance with reserve requirements under the insurance law at December 31, 2019 and 2018.

The changes in split-interest and other trusts for 2019 and 2018 were as follows:

	Split-Interest and Other Trusts			
	Irrevocable and Other Trusts	Remainder Trusts	Perpetual Trust	Total Split- Interest and Other Trusts
Balance, December 31, 2017	\$ 3,190,657	\$ 17,545,175	\$ 1,009,589	\$ 21,745,421
Contributions	4,474,083	234,223	-	4,708,306
Cash realized	(1,550,000)	(39,731)	(50,480)	(1,640,211)
Change in value	56,084	(1,005,612)	(55,863)	(1,005,391)
Balance at December 31, 2018	6,170,824	16,734,055	903,246	23,808,125
Contributions	3,137,529	3,884,446	-	7,021,975
Cash realized	(1,000,000)	(2,025,400)	(45,162)	(3,070,562)
Change in value	858,678	2,579,172	131,131	3,568,981
Balance, December 31, 2019	<u>\$ 9,167,031</u>	<u>\$ 21,172,273</u>	<u>\$ 989,215</u>	<u>\$ 31,328,519</u>

The changes in investments restricted by agreements for 2019 and 2018 were as follows:

	Investments Restricted by Agreements		
	Pooled Life Income Funds	Gift Annuities	Total Investments Restricted by Agreements
Balance, December 31, 2017	\$ 1,305,949	\$ 4,934,405	\$ 6,240,354
Contributions	-	241,476	241,476
Cash realized	-	(265)	(265)
Change in value	(55,319)	(511,311)	(566,630)
Balance, December 31, 2018	1,250,630	4,664,305	5,914,935
Contributions	-	150,000	150,000
Cash realized	-	(744,842)	(744,842)
Change in value	78,588	408,524	487,112
Balance, December 31, 2019	<u>\$ 1,329,218</u>	<u>\$ 4,477,987</u>	<u>\$ 5,807,205</u>

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7. Building and Equipment

A summary of building and equipment is as follows:

	December 31,	
	2019	2018
Building and improvements	\$ 11,406,334	\$ 11,392,640
Computer equipment and software	1,929,634	1,918,059
Furniture and fixtures	969,184	951,976
Equipment	334,726	110,543
Vehicles	19,859	-
	<u>14,659,737</u>	<u>14,373,218</u>
Less accumulated depreciation	<u>8,065,443</u>	<u>7,258,144</u>
Total	<u>\$ 6,594,294</u>	<u>\$ 7,115,074</u>

Depreciation expense was \$807,299 and \$779,284 for the years ended December 31, 2019 and 2018, respectively.

8. Line of Credit

The Association has entered into a \$7,000,000 line of credit with a bank. This line was established under a working capital support agreement dated July 25, 2018, with an interest rate of Prime Rate minus 1.25 percent and is due on demand. There was no outstanding balance at December 31, 2019. The credit line does not expire.

The Association did not draw on the line during 2019 or 2018 and thus incurred no interest expense for the years ended December 31, 2019 and 2018.

9. Deferred Compensation

The Association has arrangements with its executive officers whereby specified amounts of their compensation are deferred. These amounts are invested on behalf of the executives and are payable upon their retirement. At December 31, the Association's investments and obligation pursuant to these arrangements was:

	2019	2018
Investments, long-term	<u>\$ 656,469</u>	<u>\$ 567,228</u>
Deferred compensation liability	<u>\$ (656,469)</u>	<u>\$ (567,228)</u>

10. Defined Contribution Plan

The Association sponsors a defined contribution retirement plan under Section 403(b) of the Code that allows for contributions by employees as well as the Association. Substantially all employees are eligible to participate in this plan. The Association's contributions to the plan are based on a percentage of the employee's elective contribution and totaled \$398,841 for the year ended December 31, 2019 (\$392,291 for 2018).

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11. Property Lease

In 1992, the Association entered into a fifty year lease with the Secretary of the Army for approximately 1.5 acres of land on which its alumni center was constructed. This lease has a renewal option for an additional fifty years and is revocable by the Secretary of the Army. The land is being leased at no charge to the Association.

12. Net Assets With Restrictions

As of December 31, 2019 and 2018, net assets with donor restrictions totaling \$212,602,792 and \$158,484,260, respectively, are available for the support of various projects related to the Academy and its graduates or are restricted by time.

Net assets to be held in perpetuity, which consist of endowment funds, are restricted to the following:

	December 31,	
	2019	2018
Endowment with no restrictions on the use of income	\$ 39,458,245	\$ 37,393,085
Endowments with income restricted to the support of projects and programs related to the Academy and its graduates	169,263,208	155,666,836
Total	<u>\$ 208,721,453</u>	<u>\$ 193,059,921</u>

13. Transfers

Transfers are made among the net asset classes to reclassify previously recognized revenue that has been re-allocated in the current year by the donor based upon the occurrence of certain events or the determination that a transfer is needed to reflect the donors' intent for the contribution. The Association ensures donors' consent before making net asset transfers to and from net assets with donor restrictions.

14. Description of Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Alumni Services - Encompasses activities, support and services provided to graduates including events, awards and the maintenance of detailed biographical and historical records on graduates of the Academy and includes expenses for the operation of a gift shop.

Educational and Historical - Provides gift funds and assets to the Academy and Army West Point Athletic Association (AWPAA) with the purpose to include the encouragement of the study of leadership and to enhance the image of the Academy. The Association recorded \$26,178,596 of grants to the Academy and AWPAA in 2019 (\$23,476,559 in 2018), related to educational and historical programs and support services. During 2019, the Association recorded a grant to the Academy of approximately \$2 million for the construction of an equestrian center which is expected to be completed in 2020. There were no significant new construction project grants in 2018.

Communications and Marketing - Disseminates information on current events and the history, activities, objectives and purpose of the Academy through certain publications and media.

The Association of Graduates of the United States Military Academy

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Management and Administration - Relates to the overall administration of the Association.

Fundraising - Provides the structure necessary to solicit, secure and steward private financial support from individuals, foundations and corporations.

The financial statements report certain categories of expenses that are related to more than one program or supporting function. The expenses that are allocated are building and occupancy expenses which are allocated on a square footage basis.

	2019					Total Expenses
	Alumni Services	Educational and Historical	Communications and Marketing	Management and Administration	Fundraising	
Grants to the Academy	\$ -	\$ 20,759,347	\$ -	\$ -	\$ -	\$ 20,759,347
Grants to AWPAA	-	5,419,249	-	-	-	5,419,249
Salaries	1,689,629	74,120	730,220	2,109,993	4,141,261	8,745,223
Benefits	330,813	17,136	164,205	406,244	897,344	1,815,742
Professional services	76,643	10,657	22,302	580,877	204,479	894,958
Printing	72,040	293	112,020	9,640	177,372	371,365
Postage and shipping	142,818	493	99,739	7,218	210,002	460,270
Cost of goods sold	1,163,985	-	-	410	-	1,164,395
Employee travel	52,819	451	17,811	117,265	62,259	250,605
Awards and alumni events	339,026	-	4,174	30,833	41,421	415,454
Donor recognition expense	-	-	-	29,447	504,000	533,447
Donor acquisition	2,855	-	-	27,107	481,451	511,413
Office expenses	35,710	439	5,675	16,794	27,773	86,391
Building expenses	103,956	2,503	21,517	34,974	112,035	274,985
Depreciation	24,388	819	5,893	747,299	28,900	807,299
All other	577,744	246	42,588	493,907	443,486	1,557,971
Total	\$ 4,612,426	\$ 26,285,753	\$ 1,226,144	\$ 4,612,008	\$ 7,331,783	\$ 44,068,114

	2018					Total Expenses
	Alumni Services	Educational and Historical	Communications and Marketing	Management and Administration	Fundraising	
Grants to the Academy	\$ -	\$ 17,937,290	\$ -	\$ -	\$ -	\$ 17,937,290
Grants to AWPAA	-	5,539,269	-	-	-	5,539,269
Salaries	1,286,896	72,997	659,841	1,964,881	3,906,239	7,890,854
Benefits	312,987	16,071	153,005	403,626	895,275	1,780,964
Professional services	57,758	426	20,208	411,708	181,922	672,022
Printing	69,180	488	107,348	11,885	104,028	292,929
Postage and shipping	127,001	254	106,690	3,827	222,276	460,048
Cost of goods sold	1,128,048	-	-	131	-	1,128,179
Employee travel	36,393	1,224	18,799	119,315	76,265	251,996
Awards and alumni events	260,734	947	981	72,906	29,700	365,268
Donor recognition expense	-	-	-	21,061	330,720	351,781
Donor acquisition	3,466	-	499	23,577	562,642	590,184
Office expenses	39,270	354	4,771	18,628	23,383	86,406
Building expenses	88,840	2,578	23,152	35,981	126,515	277,066
Depreciation	22,077	825	5,661	719,283	31,438	779,284
All other	328,908	108	54,022	305,191	644,991	1,333,220
Total	\$ 3,761,558	\$ 23,572,831	\$ 1,154,977	\$ 4,112,000	\$ 7,135,394	\$ 39,736,760

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15. Endowment

In September 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA, the Act). The Act provides specific guidance regarding investment management and spending policies related to funds donated as endowment to the organization. Among its many provisions, the Act promotes a total return approach to spending, with the goal of investing at a rate that will preserve the purchasing power of the principal over the long term as well as a spend rate that, over the long term, will reflect the donor's intentions. The Act requires each organization to establish written investment and spending policies to ensure compliance with the Act. The Act also outlines the following eight standards for prudent spending, including a requirement that organizations have a written policy describing how such standards were adopted:

1. The duration and preservation of the endowment fund
2. The purpose of the institution and the endowment fund
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the institution
7. Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution
8. The investment policy of the institution

In addition, the Act establishes that a yearly spend of more than 7 percent of an endowment's fair value, based on quarterly fair values of the endowment calculated over a period of not less than 5 years, creates a rebuttal presumption of imprudence. The Act also requires written notification to all existing endowment donors allowing them to indicate whether or not they will allow the endowment to be spent below the original gift amount.

The primary investment objective is to maximize total return within prudent risk guidelines. The secondary objective is preserve capital - less risk will be assumed for funds intended for near-term use, while greater risk may be assumed for longer-term funds, including endowments.

For endowments whose income is with or without donor restriction for specific purposes, the Association uses a total return policy whereby a fixed percentage (4 percent for with donor restriction and 4.5 percent for without donor restriction) of the prior twelve quarters' fair value of investments restricted in perpetuity by donor and their related donor-restricted income accounts is available for distribution in the ensuing year for the intended endowment purposes. The endowed assets without donor restriction represent income available from donor-restricted endowments for purposes without donor restriction.

In addition, it is the Association's current policy to recognize the historic dollar value of all endowment funds and not spend any portion of the corpus. The Association classifies as net assets held in perpetuity (a) the original value of gifts donated to the endowment and (b) the original value of subsequent gifts to the endowment. The remaining portion of the donor-restricted endowment fund that is not classified in net assets to be held in perpetuity was \$78,842,784 and \$49,565,715 as of December 31, 2019 and 2018, respectively. These amounts are classified as net assets with donor restriction until those amounts are appropriated for expenditure by the Association in a manner consistent with the Act. The endowment net assets without donor restriction represent internally-designated amounts which are appropriated for expenditure in accordance with the Association's spending policy.

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From time to time, certain donor-restricted endowment funds may have fair value less than the amount required to be maintained by donors or by law. These are considered to be “underwater” endowments. The Association had no underwater endowments as of December 31, 2019. At December 31, 2018, 33 donor-restricted endowments with original gift values of \$12,905,641, fair values of \$12,170,848 and deficiencies of \$734,793 were reported in net assets with donor restrictions. At December 31, 2018, one endowment without donor restriction with an original gift value of \$880,215, fair value of \$799,941 and deficiency of \$80,274 was reported in net assets without donor restrictions.

Changes in endowed net assets for the year ended December 31, 2019, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, end of year			
December 31, 2018	\$ 10,074,581	\$ 242,625,636	\$ 252,700,217
Contributions	-	8,773,963	8,773,963
Return on investment	603,203	2,567,954	3,171,157
Realized and unrealized gain on investment	7,945,880	33,769,153	41,715,033
Transfers and other, net	-	5,627,291	5,627,291
Amount appropriated for expenditure	<u>(1,915,162)</u>	<u>(5,799,760)</u>	<u>(7,714,922)</u>
Endowment net assets, end of year			
December 31, 2019	<u>\$ 16,708,502</u>	<u>\$ 287,564,237</u>	<u>\$ 304,272,739</u>

Changes in endowed net assets for the year ended December 31, 2018, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, end of year			
December 31, 2017	\$ 15,368,636	\$ 250,726,832	\$ 266,095,468
Contributions	-	6,853,173	6,853,173
Return on investment	1,461,019	6,193,557	7,654,576
Realized and unrealized loss on investment	(4,913,654)	(20,868,723)	(25,782,377)
Transfers and other, net	-	3,027,361	3,027,361
Amount appropriated for expenditure	<u>(1,841,420)</u>	<u>(3,306,564)</u>	<u>(5,147,984)</u>
Endowment net assets, end of year			
December 31, 2018	<u>\$ 10,074,581</u>	<u>\$ 242,625,636</u>	<u>\$ 252,700,217</u>

16. Subsequent Event

The COVID-19 (coronavirus) outbreak in the United States in the first quarter of 2020 has caused business disruption through mandatory closings and cancellations of conferences and events as well as a broad decline in asset values and associated revenues. While the disruption is expected to be temporary and there will be some associated cost mitigation, the Association does expect this matter to negatively impact its operating results and the carrying value of its investments. However the extent to which this event may impact our financial position or results of operation is uncertain.