STOCKMAN KAST RYAN + COMPANY

AIR FORCE ACADEMY FOUNDATION
(FORMERLY KNOWN AS USAFA ENDOWMENT, INC.)

Financial Statements

For the Year Ended December 31, 2019

And

Independent Auditors' Report

AIR FORCE ACADEMY FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Air Force Academy Foundation
Colorado Springs, Colorado

We have audited the accompanying financial statements of Air Force Academy Foundation (the Organization), which comprise the statement of financial position as of December 31, 2019 and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Air Force Academy Foundation as of December 31, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Air Force Academy Foundation's 2018 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 28, 2019. In our opinion, the summarized comparative information presented herein is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan + Co, LLP

July 24, 2020

AIR FORCE ACADEMY FOUNDATION

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019 (with comparative totals for 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	$ 29,466,869	$ 21,263,779
Investments	38,971,196	30,653,282
Promises to give, net	32,054,585	22,916,020
Prepaid expenses	59,876	45,323
Beneficial interest in split-interest agreements	163,841	158,251
Property and equipment, net	45,767	84,689
TOTAL ASSETS	$ 100,762,134	$ 75,121,344
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 419,965	$ 216,114
Gift commitments and funds held for others	1,404,246	2,727,700
Total liabilities	1,824,211	2,943,814
NET ASSETS		
Without donor restrictions	1,761,692	1,243,417
With donor restrictions	97,176,231	70,934,113
Total net assets	98,937,923	72,177,530
TOTAL LIABILITIES AND NET ASSETS	$ 100,762,134	$ 75,121,344

See notes to financial statements.

AIR FORCE ACADEMY FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019 (with comparative totals for 2018)

	2019			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**2018 Total**
SUPPORT AND REVENUE				
Contributions	$ 3,543,766	$ 26,089,127	$ 29,632,893	$ 26,605,678
Net realized and unrealized gains (losses) on investments	49	7,123,465	7,123,514	(3,752,583)
Interest and dividends	33	912,526	912,559	1,013,260
Other	1,762	1,250	3,012	3,069
Net assets released from restrictions	7,884,250	(7,884,250)		
Total support and revenue	11,429,860	26,242,118	37,671,978	23,869,424
EXPENSES				
Program services	5,665,766		5,665,766	6,304,039
Supporting services:				
Fundraising	4,213,103		4,213,103	3,692,146
General and administrative	1,032,716		1,032,716	852,918
Total expenses	10,911,585	—	10,911,585	10,849,103
CHANGE IN NET ASSETS	518,275	26,242,118	26,760,393	13,020,321
NET ASSETS, Beginning of year	1,243,417	70,934,113	72,177,530	59,157,209
NET ASSETS, End of year	$ 1,761,692	$ 97,176,231	$ 98,937,923	$ 72,177,530

See notes to financial statements.

AIR FORCE ACADEMY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019 (with comparative totals for 2018)

	2019				
		Supporting Services			
	Program Services	Fundraising	General and Administrative	Total	2018 Total
EXPENSES					
Program services:					
Athletic programs and facilities	$ 1,758,183			$ 1,758,183	$ 696,431
Academic programs	1,570,735			1,570,735	2,511,402
Superintendent programs	575,725			575,725	950,288
Center for Character and Leadership Development programs and facilities	571,903			571,903	1,050,243
Commandant programs	285,526			285,526	146,114
Cadet, graduate and heritage support	903,694			903,694	949,561
Supporting Services:					
Employee compensation and benefits		$ 2,749,971	$ 731,671	3,481,642	3,223,202
Professional fees		418,548	115,615	534,163	96,452
Travel		192,879	36,083	228,962	203,335
Payroll taxes		164,265	36,407	200,672	184,910
Promotion and engagement		147,829		147,829	82,860
Printing and copying		142,728		142,728	168,532
Professional fundraising		136,128		136,128	159,589
Conferences and meetings		6,246	52,273	58,519	50,501
Postage and shipping		49,622	495	50,117	72,722
Depreciation		39,981	823	40,804	37,979
Employee development, recruiting and retention		33,373	2,509	35,882	25,455
Bank fees and charges			27,410	27,410	31,047
Software		21,563	3,618	25,181	48,669
Other		109,970	25,812	135,782	159,811
TOTAL	$ 5,665,766	$ 4,213,103	$ 1,032,716	$ 10,911,585	
PERCENT OF TOTAL	52%	39%	9%	100%	
COMPARATIVE TOTALS – 2018	$ 6,304,039	$ 3,692,146	$ 852,918		$ 10,849,103
PERCENT OF TOTAL – 2018	58%	34%	8%		100%

See notes to financial statements.

AIR FORCE ACADEMY FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019 (with comparative totals for 2018)

	2019	2018
OPERATING ACTIVITIES		
Change in net assets	$ 26,760,393	$ 13,020,321
Adjustments to reconcile change in net assets to		
net cash provided by operating activities:		
Net realized and unrealized (gains) losses on investments	(7,123,514)	3,752,583
Depreciation	40,804	37,979
Contributions of investments pending sale	(65,000)	69,884
Other	(5,590)	12,725
Changes in operating assets and liabilities:		
Promises to give	(9,138,565)	(8,204,082)
Prepaid expenses	(14,553)	(19,806)
Accounts payable and accrued expenses	203,851	(2,826)
Gift commitments and funds held for others	(1,323,454)	(3,110,291)
Net cash provided by operating activities	9,334,372	5,556,487
INVESTING ACTIVITIES		
Proceeds from sales of investments	4,690,537	5,699,358
Purchases of investments	(5,819,937)	(7,743,873)
Purchases of property and equipment	(1,882)	(44,416)
Net cash used in investing activities	(1,131,282)	(2,088,931)
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,203,090	3,467,556
CASH AND CASH EQUIVALENTS, Beginning of year	21,263,779	17,796,223
CASH AND CASH EQUIVALENTS, End of year	$ 29,466,869	$ 21,263,779

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — Air Force Academy Foundation (the Organization) f/k/a USAFA Endowment, Inc., a nonprofit corporation, was organized under the laws of the State of Delaware in 2007. Effective January 1, 2020, the Organization changed its name from USAFA Endowment, Inc., to Air Force Academy Foundation. The mission of the Organization is to develop and secure donated gifts to support "margin of excellence" programs, services and facilities for cadets and graduates of the United States Air Force Academy (the Academy) in Colorado Springs, Colorado. The Organization also provides efficient and perpetual stewardship of donated gifts to ensure permanency and efficiency in accordance with donor intent; and to build a spirit of philanthropy among alumni, friends and others to motivate engagement and encourage support of the Academy's mission, adhering always to United States Air Force values of "Integrity first, Service before self, and Excellence in all we do."

The Organization's founding donors established a restricted fund which is a major source of funding for the operating expenses of the Organization, now and for the future. This Founding Director Fund enables a higher level of program donations to be used principally for their intended purpose. Investment returns also primarily accrue to the applicable restricted fund.

Since its inception and through September 30, 2017, the Organization received no fees related to restricted contributions, however, effective October 1, 2017, unless otherwise requested by a donor, all contributions received by the Organization will have a portion designated as unrestricted; the portion designated as unrestricted is based upon a percentage established by the Organization's Board of Directors, which may be adjusted from time to time.

Change in Accounting Principles — In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most prior revenue recognition guidance, including industry-specific guidance, and requires expanded disclosures about revenue recognition. The core principles of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. During 2019, management adopted ASU 2014-09 using the modified retrospective method of transition. Management performed an analysis of revenue streams and transactions under ASU 2014-09. The new standard also requires enhanced disclosures related to the disaggregation of revenue and significant judgments made in measurement and recognition. The impact of adopting ASU 2014-09 had no net impact on income from operations, excess of revenues over expenses or total net assets.

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The update clarifies the guidance in ASC 958 on how entities determine whether to account for a transfer of assets as an exchange transaction under other guidance or a contribution. During

2019, management adopted ASU 2018-08. The impact of adopting ASU 2018-08 had no net impact on income from operations, excess of revenues over expenses or total net assets.

Net Assets — The Organization reports information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions - Net assets available for use in general operations - not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions - Net assets subject to donor-imposed (or grantor-imposed) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Comparative Financial Information — The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Use of Estimates — The preparation of the 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents — The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents.

Investments — Investments are recorded at fair value. Realized and unrealized gains and losses are reflected in the statement of activities. Earnings on investments are recognized as an increase or decrease in net assets without donor restrictions or net assets with donor restrictions according to the nature of the restrictions on the original gift. Donated investments are recorded at fair market value on the date of donation.

Promises to Give — Unconditional promises to give are recognized in the period received. Promises to give are recorded at net realizable value if expected to be collected within one year and at the present value of estimated future cash flows if expected to be collected in more than one year. The discounts on these amounts are computed using risk adjusted discount rates applicable to the year in which the promise is received. Such discount rates ranged from 1.0% to 3.25% as of December 31, 2019. In subsequent years, amortization of the discount is included in contribution revenue in the statement of activities. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization uses the allowance method to account for uncollectible promises to give. The allowance is based on historical experience and management's analysis of individual promises.

Beneficial Interest in Split-Interest Agreements — The Organization is designated as a remainder beneficiary under various split-interest agreements. Under the terms of these agreements, the income beneficiaries (or their estate) receive distributions for a given term. At the end of the respective terms, remaining assets will be transferred to the Organization. The Organization is neither the trustee nor does it exercise any control over the assets. The beneficial interest in these assets has been recorded at the present value of the estimated future benefits to be received.

Property and Equipment — All acquisitions of property and equipment in excess of $500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized at cost. Donated assets are recorded at fair market value on the date the assets are placed in service. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets, ranging from three to seven years.

Gift Commitments — Unconditional promises made by the Organization are recorded as a gift commitment liability and program services expense in the period the promise is made. Conditional promises are recognized when the conditions on which they depend are substantially met.

Revenue Recognition — Contributions received are recorded as without donor restriction or with donor restriction support depending on the existence or nature of any donor restrictions. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed Goods, Services and Facilities — Donated material and equipment are recorded as contributions at their estimated value on the date of receipt. Such donations are reported as support without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

The Organization records contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated.

The Organization received donated materials and services of $351,397 and $450,618 in 2019 and 2018, respectively.

Income Taxes — The Organization is a qualified organization exempt from federal income taxes under the provisions of §501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction.

The Organization believes that it does not have any uncertain tax positions that are material to the financial statements.

Reclassifications — Certain prior year balances and amounts have been reclassified to conform with current year presentation.

Subsequent Events — The Organization has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. LIQUIDITY AND AVAILABILITY

The following table reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions. Amounts not available to meet general expenditures within one year include net assets with donor restrictions.

	2019	**2018**
Cash and cash equivalents	$ 29,466,869	$ 21,263,779
Investments	38,971,196	30,653,282
Promises to give, net	32,054,585	22,916,020
Total financial assets	100,492,650	74,833,081
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	97,176,231	70,934,113
Total financial assets available to management to meet cash needs for general expenditures within one year	$ 3,316,419	$ 3,898,968

As part of the Organization'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 Organization invests cash in excess of daily requirements in short-term investments. The Organization's policy to manage an emergency cash flow need is through the use of available long-term operating funds. The Organization manages its cash flow through a one-year cycle through the planned use of one-year's unrestricted donations and available long-term operating funds.

3. AGREEMENTS WITH THE ASSOCIATION OF GRADUATES

The Organization and the Association of Graduates of the United States Air Force Academy (the AOG), have entered into a Memorandum of Understanding (the MOU) to establish a collaborative, comprehensive friendraising and fundraising process designed to raise increasing levels of charitable support for the Academy and to better serve the needs of the graduate community. The 2014 MOU was effective on January 1, 2014 and remained in effect for a minimum of four years. During 2018, the Organization adopted a MOU (2018 MOU) which superseded the 2014 MOU. The 2018 MOU was effective January 1, 2018 through December 31, 2018. In December 2018, the Organization entered into an agreement to extend the key provisions of the 2018 MOU through December 31, 2020 (2019 MOU).

Either party may terminate the 2019 MOU with 60 days written notice.

Under the 2014 MOU, the Organization's annual fund cash receipts were as follows: 51% retained by the Organization, 34% distributed to the AOG and 15% made available to the Academy. Effective January 1, 2016, the Academy agreed to allow the Organization to reduce the amounts available from annual fund receipts for 2016, 2017 and 2018 from 15% to 5%.

Pursuant to the 2018 MOU, the Organization made an annual grant to the AOG of $800,000 in both 2019 and 2018. The Organization used the remaining December 31, 2017 gift commitment liability of $503,439, along with $296,561 of the Organization's additional available resources to fund this grant in 2018.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization is required to use 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2: Prices determined using significant other observable inputs. 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.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Prices determined using significant unobservable inputs.

The 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.

Mutual funds and common stocks are valued based on quoted prices in active markets. Bonds are valued through pricing services. Other assets held for sale consists of a painting donated to the Organization and is valued based on an appraisal. See Note 5 regarding the valuation of the beneficial interest in split-interest agreements.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets stated at fair value as of December 31:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2019:				
Investments:				
Domestic equity mutual funds	$ 22,704,801	$ 22,704,801		
International equity mutual funds	14,663,445	14,663,445		
Fixed income mutual funds	1,123,245	1,123,245		
Other assets held for sale	150,000		$ 150,000	
Domestic bond	52,476		52,476	
Domestic common stock	149,000	149,000		
International common stock	128,229	128,229		
Total investments	38,971,196	38,768,720	202,476	$ —
Beneficial interest in split-interest agreements	163,841			163,841
Total assets at fair value	$ 39,135,037	$ 38,768,720	$ 202,476	$ 163,841
2018:				
Investments:				
Domestic equity mutual funds	$ 17,356,882	$ 17,356,882		
International equity mutual funds	12,060,964	12,060,964		
Fixed income mutual funds	1,061,257	1,061,257		
Other assets held for sale	85,000		$ 85,000	
Domestic bond	50,633		50,633	
Domestic common stock	38,546	38,546		
Total investments	30,653,282	30,517,649	135,633	$ —
Beneficial interest in split-interest agreements	158,251			158,251
Total assets at fair value	$ 30,811,533	$ 30,517,649	$ 135,633	$ 158,251

The following table shows quantitative information about significant unobservable inputs related to Level 3 fair value measurements used as of December 31, 2019 and 2018:

	Valuation Technique	Unobservable Inputs	Inputs 2019	Inputs 2018
Charitable remainder trust	Discounted cash flows	Return on assets	4.0%	4.0%
		Discount rate	4.0%	4.0%
Gift annuity	Discounted cash flows	Return on assets	Unavailable	Unavailable
		Discount rate	Unavailable	Unavailable
		Estimated life expectancy	Unavailable	Unavailable

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using unobservable inputs (Level 3) for the years ended December 31, 2019 and 2018:

Balance at January 1, 2018	$ 170,976
Change in value	(19,234)
Contributions of split-interest agreements	6,509
Balance at December 31, 2018	158,251
Change in value	(27,527)
Contributions of split-interest agreements	33,117
Balance at December 31, 2019	$ 163,841

5. BENEFICIAL INTEREST IN SPLIT-INTEREST AGREEMENTS

The Organization is the beneficiary of a charitable remainder unitrust (the Trust). One of the Trustees of the Trust is also a member of the Organization's Board of Directors. Under the terms of the Trust, payments are to be made to the two donors during their lifetimes, or to the donor's estate following the death of the second donor, for a total period of 20 years. The annual payments equal 8% of the net fair value of the Trust assets valued as of the first business day of each Trust taxable year. The present value of the Organization's future benefits is calculated using a discount rate of 4% as of December 31, 2019 and 2018. The discount rate is based on the estimated annual investment return on the assets in the Trust. The Organization's beneficial interest in this remainder trust at the net present value is $137,912 at December 31, 2019 and 2018.

The Organization is also the beneficiary of gift annuity contracts which had a net present value of $25,929 and $20,339 at December 31, 2019 and 2018, respectively.

6. PROMISES TO GIVE

Unconditional promises to give consist of the following at December 31:

	2019	2018
Due in less than one year	$ 16,850,760	$ 13,226,212
Due in one to five years	16,877,879	11,111,653
Thereafter	97,900	2,450
Total	33,826,539	24,340,315
Allowance for doubtful promises to give	(804,449)	(887,261)
Discount to net present value of estimated cash flows	(967,505)	(537,034)
Promises to give, net	$ 32,054,585	$ 22,916,020

7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2019	2018
Office equipment	$ 181,453	$ 179,571
Software	20,974	20,974
Leasehold improvements	11,750	11,750
Other	22,972	22,972
Total	237,149	235,267
Less accumulated depreciation and amortization	191,382	150,578
Property and equipment, net	$ 45,767	$ 84,689

8. GIFT COMMITMENTS AND FUNDS HELD FOR OTHERS

The Organization's gift commitments and funds held for others consist of the following at December 31:

	2019	2018
The Friends of the Air Force Academy Library	$ 1,363,692	$ 1,230,961
The Academy	15,369	1,454,058
Other	25,185	42,681
Total	$ 1,404,246	$ 2,727,700

See Note 3 regarding gift commitments to the Academy resulting from agreements with the AOG under the MOUs. Additionally, included in the gift commitments to the Academy reflected above were multiple gift offers which have been officially accepted by the Academy but were not fully delivered by the Organization to the Academy at year-end.

The Organization holds funds on behalf of The Friends of the Air Force Academy Library (The Friends), a separate non-profit organization which also supports the Academy. As of December 31, 2019 and 2018, the Organization held $1,363,692 and $1,230,961, respectively, on behalf of The Friends.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	2019	2018
Subject to expenditure for specified purpose:		
Program Services:		
Academic programs	$ 36,395,135	$ 20,914,723
Center for Character and Leadership Development and related programs	18,456,968	15,787,315
Athletic facilities and programs	8,405,522	9,551,521
Superintendent programs	6,010,583	4,724,060
USAFA Nonprofit Managed Funds	5,978,151	1,372,256
Commandant programs	2,347,571	1,519,669
Supporting services:		
Founding Director Fund	15,867,258	13,465,115
USAFA Endowment Campaign Initiative Fund	3,705,053	3,462,537
USAFA Endowment Fund		126,927
Other	9,990	9,990
Total	$ 97,176,231	$ 70,934,113

10. FUNCTIONAL EXPENSES ALLOCATION METHODS

The financial statements report certain categories of expenses that are associated with one or more programs or with supporting services of the Organization. All expenses are individually identified as to a specific program or supporting service and, accordingly, are directly reflected in the appropriate categories of expenses based on their actual functional purpose.

11. CONCENTRATIONS

The Organization maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits.

As of December 31, 2019, approximately 21% and 20% of promises to give were from two individual donors.

During 2019, the Organization received approximately 27% and 10% of its contributions from two individual donors.

As of December 31, 2018, approximately 31% of promises to give were from one individual donor.

During 2018, the Organization received approximately 36% of its contributions from one individual donor.

12. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2019 and 2018, the Organization received $13,616,569 and $16,788,509, respectively, of contributions from members of its Board of Directors (including promises to give). Board members accounted for $20,128,600 and $9,227,453 of outstanding promises to give (before the discount to net present value) as of December 31, 2019 and 2018, respectively.

13. RETIREMENT PLAN

The Organization has adopted a SEP-IRA defined contribution retirement plan for its employees. Subject to meeting the minimum annual earnings level of $600 established by the Internal Revenue Service, all employees are eligible for participation in the plan effective on the first day of their employment. Subject to federal limitations, the Organization makes a contribution, determined each pay period, of 11.1% of the employee's non-retirement compensation. For the years ended December 31, 2019 and 2018 the Organization's total contributions were $321,005 and $298,593, respectively.

14. SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global response to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.