

American Airpower Heritage Group

Consolidated Financial Report

December 31, 2020

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Independent Auditor's Report

To the General Staff of
American Airpower Heritage Group
Dallas, Texas

We have audited the accompanying consolidated financial statements of the American Airpower Heritage Group (the Group), which comprise the consolidated statements of financial position of the Group as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

The General Staff of
American Airpower Heritage Group

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
June 28, 2021

American Airpower Heritage Group
Consolidated Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 9,765,845	\$ 14,233,473
Accounts receivable (net)	1,538,629	320,973
Pledges receivable	731,091	167,713
Inventories	769,639	812,092
Prepaid expenses	506,153	944,186
Investments	10,156,536	8,916,094
Property and equipment (net of accumulated depreciation)	18,741,302	11,955,400
Intangible assets (net of accumulated amortization)	22,889	29,554
Other assets	189,953	252,226
TOTAL ASSETS	\$ 42,422,037	\$ 37,631,711
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 2,101,391	\$ 1,030,318
Accrued liabilities	672,168	403,962
Notes payable, current portion	90,979	88,370
Line of credit	3,949,100	1,000,000
Capital lease liability	1,762,125	1,762,125
Deferred revenue	355,434	448,427
Notes payable, long term portion	496,928	597,539
Total liabilities	9,428,125	5,330,741
NET ASSETS		
Without donor restrictions	15,890,306	17,228,977
With donor restrictions	17,103,606	15,071,993
Total net assets	32,993,912	32,300,970
TOTAL LIABILITIES AND NET ASSETS	\$ 42,422,037	\$ 37,631,711

The Notes to Consolidated Financial Statements are an integral part of these statements.

American Airpower Heritage Group
Consolidated Statements of Activities
Years Ended December 31, 2020 and 2019

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Departmental revenues	\$ 4,133,829	\$ 11,815,359
Donations	8,015,965	8,252,952
Memberships	1,178,266	1,460,459
Investment income, net	1,094,092	1,386,889
Insurance recovery	16,132	22,256
Gain (loss) on disposal of assets	34,242	80,369
Grant or state fund revenue	705,729	145,595
Other	20,846	21,059
	15,199,101	23,184,938
Net assets released from restrictions through satisfaction of program requirements	2,240,118	2,125,232
Total revenues, gains and other support without donor restrictions	17,439,219	25,310,170
Expenses		
Education	(11,277,634)	(17,502,581)
Management and general	(2,311,718)	(2,513,817)
Fundraising	(5,188,538)	(4,284,239)
	(18,777,890)	(24,300,637)
Increase (decrease) in net assets without donor restrictions	(1,338,671)	1,009,533
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Donations	3,547,976	1,287,056
Operating	453,707	577,902
Gain on disposal of assets	50,000	192,697
Other	124,849	208,196
Return of donation from foundation	-	(1,070,348)
Investment income	95,199	126,533
Net assets released from restrictions	(2,240,118)	(2,125,232)
	2,031,613	(803,196)
Increase (decrease) in net assets with donor restrictions	2,031,613	(803,196)
CHANGE IN NET ASSETS	692,942	206,337
NET ASSETS, beginning of year	32,300,970	32,094,633
NET ASSETS, end of year	\$ 32,993,912	\$ 32,300,970

The Notes to Consolidated Financial Statements are an integral part of these statements.

American Airpower Heritage Group
Consolidated Statements of Functional Expenses
Years Ended December 31, 2020 and 2019

	2020				2019			
	Education	Management and General	Fundraising	Total	Education	Management and General	Fundraising	Total
Aircraft maintenance	\$ 2,831,926	\$ 2,743	\$ -	\$ 2,834,669	\$ 4,415,052	\$ 33,989	\$ -	\$ 4,449,041
Payroll and payroll related	1,127,983	1,313,887	713,286	3,155,156	1,176,348	1,275,010	676,427	3,127,785
Facilities and insurance	3,276,271	449,207	22,470	3,747,948	2,836,288	370,498	19,701	3,226,487
Administration expenses	1,779,198	244,150	2,555,339	4,578,687	3,664,122	393,478	1,789,032	5,846,632
Airshow and event expenses	1,233,828	139,064	13,321	1,386,213	2,888,313	164,146	19,530	3,071,989
Contracted services	103,496	102,832	410,761	617,089	390,794	123,062	422,767	936,623
Other expenses	204,688	(62,992)	96,517	238,213	628,013	132,298	60,682	820,993
Operating expenses	262,876	122,827	1,357,751	1,743,454	430,666	21,336	1,232,923	1,684,925
Cost of merchandise sold	457,368	-	19,093	476,461	1,072,985	-	63,177	1,136,162
TOTAL EXPENSES	\$ 11,277,634	\$ 2,311,718	\$ 5,188,538	\$ 18,777,890	\$ 17,502,581	\$ 2,513,817	\$ 4,284,239	\$ 24,300,637

The Notes to Consolidated Financial Statements are an integral part of these statements.

American Airpower Heritage Group
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 692,942	\$ 206,337
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	820,000	743,262
Amortization	14,165	25,854
Gain on sale of property and equipment	(33,173)	(174,230)
Unrealized gain from investments	(1,047,111)	(1,380,817)
Change in operating assets and liabilities		
Accounts receivable (net)	(1,217,656)	6,431
Pledges receivable	(563,378)	3,274,329
Inventories	42,453	98,238
Prepaid expenses	438,033	(100,752)
Other assets	62,273	(114,246)
Accounts payable	(183,261)	(54,640)
Accrued liabilities	268,206	156,585
Deferred revenue	(92,993)	(154,976)
Total adjustments	(1,492,442)	2,325,038
Net cash (used in) provided by operating activities	(799,500)	2,531,375
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(6,368,016)	(1,304,004)
Disposal of property and equipment	49,621	300,691
Purchases of intangibles	(7,500)	(6,875)
Purchase of investments	(927,667)	(585,183)
Sale of investments	734,335	639,668
Net cash used in investing activities	(6,519,226)	(955,703)
CASH FLOWS FROM FINANCING ACTIVITIES		
Reduction in principal of long-term debt	(98,002)	(78,516)
Proceeds from long-term debt borrowings	3,200,000	98,000
Proceeds from line of credit	(250,900)	1,000,000
Net cash provided by financing activities	2,851,098	1,019,484
Net change in cash and cash equivalents	(4,467,628)	2,595,156
CASH AND CASH EQUIVALENTS, beginning of year	14,233,473	11,638,317
CASH AND CASH EQUIVALENTS, end of year	\$ 9,765,845	\$ 14,233,473
CASH PAID DURING YEAR FOR INTEREST	\$ 212,092	\$ 95,786

The Notes to Consolidated Financial Statements are an integral part of these statements.

American Airpower Heritage Group

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization

The American Airpower Heritage Group (the Group), which consists of the Commemorative Air Force, Inc., Units and Supporting Foundations (Units), the American Airpower Heritage Foundation, Inc. (AAHF), the American Airpower Heritage Museum, Inc. (AAHM), and the American Airpower Heritage Flying Museum, Inc. (AAHFM), was created by resolution approved by the general membership of the Commemorative Air Force, Inc. (CAF) effective November 20, 1990.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of CAF, Units, AAHF, AAHM, and AAHFM, which are here after referred to as the Group. All significant intercompany transactions and balances have been eliminated in the consolidated financial statements.

The Group and purpose of each of the five entities which comprise the Group is set out as follows:

The Commemorative Air Force, Inc. (CAF) – Headquarters

The consolidated financial statements presented include the Headquarters division of the Group and include its assets, liabilities and net assets, and support, revenue, and expenses.

CAF is a nonprofit corporation established in 1961 for charitable and educational purposes. The primary objective of the organization was to acquire, restore, maintain and operate a collection of World War II and other historical aircraft. With the reorganization discussed above, the structure of the CAF remains essentially unchanged. It has primary responsibility for membership, maintenance of aircraft, educational programs and air show demonstrations. In addition, the CAF provides administrative and management assistance to the other members in the Group.

The Commemorative Air Force, Inc. – Units and Supporting Foundations (Units)

The Units is comprised of 87-chartered wings, squadrons and detachments throughout the nation. Each unit or supporting foundation receives administrative support and oversight from CAF. The majority of the aircraft operations are performed through these wings and squadrons and includes aircraft restoration and maintenance, aircraft display, air shows and PX (gift shop) operations.

The Units operate under the same federal tax ID number as the CAF. Individual foundations, which are described below, are separate legal entities. The CAF, including all of the Units operating under the CAF, file one group tax return. The individual foundations, with the exception of Wings Over Houston, file individual tax returns. For presentation purposes, the CAF and the Units are shown separately in the consolidating financial statements for transparency and the following reasons: the CAF and the Units each serve two different purposes; the volume and types of transactions that are carried out by the CAF are different than those carried out by the Units; the Units hold significantly more assets than the CAF does, due the nature of operations.

American Airpower Heritage Group

Notes to Consolidated Financial Statements

Ownership and operational control of all non-flying (static) museum artifacts are in the AAHM. In addition, as further discussed below, ownership of life membership funds and aircraft sponsorship funds are in the AAHF and ownership of all or substantially all of the aircraft are in the AAHFM. The CAF has agreed by formal contract to maintain aircraft belonging to the AAHFM and fully control operation of those aircraft in accordance with the rules and regulations of the CAF. The CAF continues to conduct educational programs and air show demonstrations and provide training for aircraft operators.

The General Staff has allowed certain entities to be formed as separate 501(c)(3) corporations in their respective states with the purpose of the new entities to act as philanthropic organizations to raise funds for the restoration, maintenance and operations of Group operated aircraft. The subordinated corporations must meet the following conditions for formation: each entity must submit to CAF's Finance Committee their request to establish a separate 501(c)(3) corporation; the CAF attorney must draw up the by-laws for each corporation; the request must be reviewed and approved by the Executive Committee; and all control of the corporations must remain with the CAF.

Seven entities have incorporated and are located in Arizona, California, Florida, Georgia, New Mexico, Minnesota and Texas. For reporting purposes, they will continue to be included in the Units' totals until such time they are materially significant to the consolidated financial statements.

American Airpower Heritage Foundation, Inc. (AAHF)

AAHF is a nonprofit corporation, without voting members, established in 1983 to assist in the preservation of World War II and other historical aircraft and teaching the traditions, heritages and accomplishments of the military air services of the United States. The primary objective of the AAHF was to establish and manage an endowment fund for the benefit of the CAF. It was charged with the responsibility of investing life membership funds and endowment funds, which had been created from donations and gifts. The by-laws of the AAHF provide that there is only one single voting member of the AAHF, that being the CAF. The board of directors of the AAHF are required to have a majority of CAF General Staff members on the board. Ownership of life membership funds and aircraft funds are in the AAHF. The AAHF manages and retains sponsorship funds.

American Airpower Heritage Museum, Inc. (AAHM)

AAHM has been established to house the non-flying (static) museum artifacts and the PX (the gift shop) facilities. It was incorporated in 1989 as a nonprofit corporation without members. The by-laws of the AAHM provide that there is only one single voting member of the AAHM, that being the CAF. In 1993, the AAHM started accepting membership revenues for non-voting members to help fund the day-to-day operations. The board of directors of the AAHM is not required to have a majority of CAF General Staff members on the board. All museum assets belong to the AAHM. All static museum operations are conducted by and through the AAHM and ownership of all properties necessary for conducting the museum's operations rests with the AAHM.

In the future, a part of the AAHM will include the Henry B. Tippie National Aviation Education Center (the Center). After the completion of a multi-year campaign, the Center is currently under construction, with a planned opening in the latter half 2021. The facility will provide hands-on interactive experiential STEM (Science, Technology, Engineering and Math) programming intended to spark students' imaginations, while concurrently developing leadership and 21st century job skills.

American Airpower Heritage Group

Notes to Consolidated Financial Statements

American Airpower Heritage Flying Museum, Inc. (AAHFM)

AAHFM was incorporated in 1989 as a nonprofit, nonmember organization. The AAHFM owns all or substantially all of the Group's aircraft. The aircraft's values, which are undeterminable, are not recorded on these consolidated financial statements. As mentioned above, by formal agreement, the CAF maintains aircraft belonging to the AAHFM and fully controls operation of those aircraft in accordance with CAF rules and regulations. The CAF also displays the aircraft owned by the AAHFM. The AAHFM does not conduct educational programs or air show demonstrations, nor does it have responsibility for the maintenance of aircraft or the training of aircraft operations. The by-laws of the AAHFM provide that there is only one single voting member of the AAHFM, that being the CAF.

Financial Statement Presentation

For presentation of the consolidated financial statements, net assets and revenue, gains, expenses, and losses are classified as without donor restriction, and with donor restriction based upon the following criteria:

- Net assets without donor restriction represent expendable funds available for operations which are not otherwise limited by donor restrictions. While these net assets do not have donor restrictions, they may be Board restricted for stated purposes and are classified as without donor restriction – designated; and
- Net assets with donor restriction consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Group may spend the funds. They are also subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations. Donor restricted endowment trust assets are those assets from which the corpus may never be withdrawn.

Basis of Accounting and Principles

The consolidated financial statements of the Group have been prepared on the accrual basis of accounting. The financial statements are prepared on a consolidated basis since all members of the Group are commonly controlled. Members of the Group separately file their information reports with the Internal Revenue Service because the Internal Revenue Code does not provide for combined reports. All financial transactions have been summarized for accounting reporting purposes into funds established according to their nature and purpose as follows:

General Funds

General funds represent the portion of expendable funds without donor restrictions that are available for the general operations and support of the Group.

Aircraft Funds

Aircraft funds represent the donor restricted contributions from aircraft sponsors, which are to be used for acquisition, restoration and maintenance of specific aircraft. Effective with the reorganization, the AAHF holds in a separate account each sponsorship fund established by a sponsor for the restoration and preservation of a designated aircraft owned by the AAHFM. The AAHF shall distribute so much of the income and principal of the particular sponsorship fund as may be required by the AAHFM or the CAF for purposes of restoring, maintaining and operating the designated aircraft. In the event a sponsor's aircraft shall be permanently retired and no longer in need of support, the sponsor shall be given an opportunity to designate another aircraft to sponsor, and upon failure to do so, such remaining funds shall be added to the general fund and administered in accordance with provisions in the by-laws.

American Airpower Heritage Group

Notes to Consolidated Financial Statements

Life Member Funds

Life member funds represent funds designated in 1982 by the General Staff requiring in perpetuity that the principal remain invested and only the investment income be available for the general operations and support of the CAF. Initially, life member funds were included and utilized by the CAF general fund until the membership was paid in full. At that time, the total amount paid for the life membership was transferred from the CAF general fund to the life member fund. The AAHF holds in a separate account the life member funds generated by the CAF, and such other funds as the CAF or the museums from time to time may transfer to the AAHF.

These funds are held separately from the general endowment funds. The principal of the life member funds remains intact with no expenditures other than for investment purposes or as required below.

Upon the written request of the General Staff, with the approval of the board of directors of the AAHF, which approval cannot be unreasonably withheld, the AAHF shall distribute to the CAF or the museums an amount of the principal of the life member funds as may be required for use in their charitable, educational or scientific activities within the meaning of Section 501(c)(3) of the Internal Revenue Code. The AAHF shall not approve any distribution of funds for purposes that do not meet such criteria.

Net income earned from life member funds may be distributed to the CAF. The General Staff may designate part or all of the distribution be made to the museum. Additional distributions may be made on request of the General Staff. Any undistributed income at the end of the fiscal year is added to the principal. Upon the death of a life member, the funds are transferred to the CAF Endowment.

Board Designated Quasi – Endowment Funds

The AAHF shall deposit all of its funds, except those funds necessary for its own administrative purposes, into a quasi-endowment fund without donor restrictions for the support and benefit of the CAF, the AAHFM and the AAHM. Said funds shall be invested, held, and administered under the standards that apply to trusts and their trustees under the Texas Trust Act.

A portion of the annual net income of the general endowment fund as the General Staff of the CAF shall request, will be distributed to the CAF for its support and maintenance at the end of each fiscal year or at such other times as the General Staff of the CAF shall reasonably request. In addition, with the approval of the General Staff of the CAF, a portion of the net income may be distributed as necessary for the support and maintenance of the AAHFM and the AAHM.

Donor Restricted Endowment Funds

The CAF Missouri Wing/USO Endowment was established to provide the Missouri Wing with funds that would allow the unit to bring their assigned aircraft to pristine condition.

The agreement and restrictions on the endowment are that they are pooled and invested in the same manner as other AAHF managed endowments and the endowment stays with CAF/AAHF until the Missouri Wing ceases to exist. Should the Missouri wing cease to exist at some point in the future, the endowment corpus would then go to benefit the USO at Lambert Field, St. Louis, Missouri. The USO at Lambert Field receives no benefit nor has any rights to any annual distributions as long as the Missouri Wing exists.

The Missouri Wing may make annual distributions requests of up to 5% annually. An annual disbursements of \$80,000 and \$30,000 were made in 2020 and 2019, respectively.

American Airpower Heritage Group

Notes to Consolidated Financial Statements

Annuity Funds

Annuity funds represent donor restricted funds received in the form of a charitable gift annuity, which have been restricted for payments to the annuitant.

Save the Girls

Save the Girls funds represent donor restricted contributions for the purpose of Nose Art restoration.

Aircraft Acquisition Fund

This fund is set up to accumulate donor restricted donations on behalf of the fund for acquisition and transportation of additional aircraft for the AAHFM and AAHM.

Cash and Cash Equivalents

At year-end, cash and cash equivalent balances were held with financial institutions in either deposit accounts or in trust.

For purposes of the statement of cash flows, the Group considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Receivables

Accounts Receivable

Annual membership dues are recorded as receivables in the period the membership will renew.

Pledges Receivable

Pledges of aircraft sponsorships and life memberships are recorded as receivables in the year pledged.

Revenues are recorded as earned on the accrual basis.

Inventories

Inventories are valued at the lower of cost or market, with cost being determined using the first-in, first-out method.

Investments

The Group's investments are comprised of marketable equity securities, marketable debt securities, mutual funds, interests in common trust funds and certificates of deposits. The investments are carried at estimated fair value based on quoted market prices.

Property and Equipment

Property and equipment acquisitions have consistently been recorded at cost if purchased and at fair market value at date received if donated. In the case of capitalized leases, cost represents the present value of the future minimum lease payments including any bargain purchase option.

Major renewals and improvements that extend the life of an asset or benefit one or more subsequent periods are capitalized.

American Airpower Heritage Group

Notes to Consolidated Financial Statements

Replacements, maintenance and repairs which do not extend or improve the life of existing assets are charged to expense in the period incurred. When properties or equipment are retired or otherwise disposed of, the property and related accumulated depreciation accounts are relieved of the applicable amounts. Gain or loss from retirements or sales are credited or charged to income currently.

Depreciation and amortization is provided on a straight-line basis over the following estimated useful lives:

Buildings	20 - 40 years
Leasehold improvements	20 - 40 years
Furniture, fixtures and equipment	5 -10 years
Exhibits	5 years
Vehicles	3 -15 years
Aircraft property	5 years
Leased property	40 years

Intangible Assets

Intangible assets consist of trademarks and internal-use software and associated accumulated amortization. The life of the trademarks is 40 years. The useful life of the software is three years. Intangible assets had a net book value of \$22,889 and \$29,554 at December 31, 2020 and 2019, respectively. Accumulated amortization was \$142,814 and \$128,649 at December 31, 2020 and 2019, respectively.

Accrued Employee Benefits

Employees are granted vacation in varying amounts. In the event of termination, an employee is paid for accumulated vacation days not exceeding 30 days. An accrual of \$188,372 and \$133,518 as of December 31, 2020 and 2019 has been recorded within the accrued liabilities of these consolidated financial statements. Sick leave is also granted to the employees and may accrue to 30 days, but is not payable upon termination, and therefore has not been accrued.

Revenue Recognition

Contributions, including unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Pledge receivables due beyond one year are stated at the net present value of the estimated cash flows using a risk-adjusted rate. Conditional contributions are recorded when the conditions have been substantially met. Contributions are considered to be without donor restriction unless specifically restricted by the donor.

Contributions received with donor stipulations as to their use are reported in net assets with donor restrictions. Upon the expiration of the donor restriction, or as the purpose of the restriction is accomplished, the net assets with donor restriction are released and reclassified as net assets without donor restrictions in the consolidated statements of activities.

Product and services revenue, which are generated from the Group's air shows, aircraft displays and PX (gift shop) operations, are generally recognized upon delivery of the services to the customer or the shipment of the product.

Revenues from grants are generally reported as grant revenues without donor restriction and are recognized as qualifying expenses as they are incurred under the terms of the agreements.

American Airpower Heritage Group

Notes to Consolidated Financial Statements

Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless the use of the investment is restricted by donor stipulations or law.

Effective January 1, 2020, the Group adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Results for reporting the year ending December 31, 2020 are presented under FASB ASC Topic 606. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued consolidated financial statements.

Return of Donations

In 2016, as a part of a capital campaign, the CAF received a \$3,000,000 grant that was reported as revenue with donor restriction under the guidance that was in place at the time. The grant was split between an aircraft restoration component and an equipment component. Under the equipment component terms of the grant, the CAF was required to purchase a flight simulator. A portion of the funds received for the equipment component were returned in 2019 and are reported in the statement of activities in the amount of \$1,070,348.

Retirement Plan

The Group offers full-time, permanent employees a 3% employee matching simple IRA (SRA) retirement plan. The Group contributed \$56,510 and \$58,564 of matching SRA funds for the years ended December 31, 2020 and 2019, respectively.

Aircraft Collection, Museum and Library

In conformity with the practice followed by many museums, aircraft collection, museum objects and library objects, purchased or donated, are not included in the accompanying consolidated statements of financial position.

Insurance recoveries from non-recorded collection objects are recorded as revenue upon collection. Aircraft expenditures are recorded by HQ as an expense when funded by HQ on behalf of the Units and Supporting Foundations. Reimbursements, if any, of these expenses are recorded as revenue when received by HQ from the Units and Supporting Foundations indirectly through the AAHF, which has ownership of the aircraft sponsorship funds.

Effective January 1, 2020, the Group adopted the provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2019-03, *Not-for-Profit Entities* (Topic 958). ASU 2019-03 modifies the definition of term collections and requires that collection-holding entities disclose their policies for the use of proceeds from when collection items are deaccessioned (that is, removed from a collection).

Any insurance proceeds received on destroyed aircraft or income from the sale of an aircraft may only be used for the purchase of a new aircraft or direct care of existing collections. Direct care of existing collections includes restoration projects to restore the Group's artifacts. Proceeds to be used for direct care are utilized at the discretion of the Group's Board.

American Airpower Heritage Group

Notes to Consolidated Financial Statements

Federal Income Taxes

The Group is comprised of qualified nonprofit organizations that are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The accounting for uncertain tax positions guidance requires that the Group recognize in its consolidated financial statements the financial effect of a tax position, if that position is more likely than not to be sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the position. The guidance also provides guidance on measurement, classification, interest and penalties and disclosure.

Tax positions taken related to the Group's tax exempt status for federal tax purposes and state filing requirements have been reviewed, and management is of the opinion that material positions taken by the Group would more likely than not be sustained by examination. Accordingly, the Group has not recorded an income tax liability for uncertain tax benefits.

Functional Allocation of Expenses

The consolidated statements of functional expenses demonstrates expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. As a result of the 2020 Fiscal Year the functional expenses are recorded with 60% going to support the Education programs, 28% to promote fundraising and 12% to support general and administrative functions. The natural expenses are recorded with 15% going to aircraft maintenance, 17% to payroll and payroll related costs, 20% facilities and insurance and 24% to administration expenses.

Concentrations

The Group maintains its cash balances at several financial institutions located throughout the United States. Cash balances may, at times, exceed federally insured limits. The Group has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Use of Estimates

In preparing consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include, but are not limited to, useful lives of depreciable assets, fair values of financial instruments, and allocations of costs among functional categories.

Deferred Revenue

Income from membership dues not yet earned is deferred and recognized over the periods to which the dues and fees relate. Additionally, airplane rides sold but not yet taken are shown as deferred revenues until the ride is taken or the purchase expires.

American Airpower Heritage Group

Notes to Consolidated Financial Statements

Recent Pronouncements

ASU 2016-02

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Lease (Topic 842) (ASU 2016-02) in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. To meet that objective, the FASB is amending the Codification and creating Topic 842, Leases. ASU 2016-02, along with IFRS 16, Leases, are the results of the FASB's and the International Accounting Standards Board's (IASB's) efforts to meet that objective and improve financial reporting.

Under this standard, leases are classified as finance leases and operating leases. For finance leases, a lessee is required to do the following:

1. Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position;
2. Recognize interest on the lease liability separately from amortization of the right-of-use asset in the statement of comprehensive income; and
3. Classify repayments of the principal portion of the lease liability within financing activities and payments of interest on the lease liability and variable lease payments within operating activities in the statement of cash flows.

For operating leases, a lessee is required to do the following:

1. Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position;
2. Recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis; and
3. Classify all cash payments within operating activities in the statement of cash flows.

For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term.

For all non-public for profit entities, the amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The Group is in the process of determining the effects of this ASU on financial reporting.

ASU 2020-07

In September 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), in order to address presentation and disclosure of contributed nonfinancial assets, including fixed assets, materials and supplies, intangible assets, services and unconditional promises on those assets.

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Notes to Consolidated Financial Statements

The amendments in ASU 2020-07 will require that a not-for-profit:

1. Present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets.
2. Disclose:
 - a. A disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets; and
 - b. For each category of contributed nonfinancial assets recognized (as identified in (a)):
 - i. Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized an NFP will disclose a description of the programs or other activities in which those assets were used;
 - ii. The NFP's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets;
 - iii. A description of any donor-imposed restrictions associated with the contributed nonfinancial assets;
 - iv. A description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, Fair Value Measurement, at initial recognition; and
 - v. The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient NFP is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

The amendments in this update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods with annual periods beginning after June 15, 2022. The Group is in the process of determining the effects of this ASU on financial reporting.

Subsequent Events

The Group has evaluated events subsequent to the date of the statement of financial position December 31, 2020 through June 28, 2021, the date the consolidated financial statements were available to be issued. See subsequent event note 19.

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Notes to Consolidated Financial Statements

Note 2. Liquidity

The Group's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, are as follows:

	2020	2019
Cash and cash equivalents	\$ 9,765,845	\$ 14,233,473
Lines of credit	6,675,900	1,500,000
Accounts receivable	1,538,629	320,973
Pledges receivable	731,091	167,713
Investments	10,156,536	8,916,094
Other assets	189,953	252,226
Total financial assets, year end	29,057,954	25,390,479
Less		
Restricted cash	(1,000,000)	-
Pledges receivable, long term	(179,831)	(50,231)
Other assets	(189,953)	(252,226)
Total financial assets not available to be used within one year	(1,369,784)	(302,457)
Total financial assets available to meet general expenditures within one year	\$ 27,688,170	\$ 25,088,022

Note 3. Transactions with Units and Supporting Foundations

The following is a summary of the significant transactions between the Units and HQ and the impact upon the accompanying consolidated financial statements.

- a. Various wings, squadrons and detachments sponsor air shows, which must be approved in advance by HQ. The net profits from the air shows remain with the wing, squadron or detachment for specific aircraft restoration or maintenance projects;
- b. Most aircraft are supported financially by a sponsor or group of sponsors. Revenues received by the wings, squadrons or detachments for this purpose must be remitted to AAHF. AAHF records the sponsor funds as revenue by aircraft and general donations as gifts as cash is received;
- c. Substantially all Units incur aircraft restoration and maintenance costs on the aircraft assigned to them. To the extent that specific aircraft sponsor funds exist, AAHF will reimburse the wing, squadron or detachment for the expenditures or pay the charges directly. In certain cases, and by HQ approval only, these costs will be reimbursed or paid out of general funds if specific aircraft sponsor funds are not available;
 - i. AAHF records an operating expense as reimbursements or expenditures made. Revenues are recorded when received from the AAHF where funds for sponsorships are retained and invested;
- d. Some repairs and maintenance are performed at the HQ. Costs to repair the aircraft are charged to operating expense as incurred;
- e. Most insurance coverages are negotiated by HQ staff and charged to the individual aircraft (aircraft liability) or general and administrative expense as appropriate;

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Notes to Consolidated Financial Statements

- f. Various Units purchase their inventory independently. All inventory transactions for HQ are online and no credit is extended to the Units for purchases off the HQ website;
- g. Most Units have been assigned at least one of the historic airplanes by AAHFM to operate and maintain in accordance with HQ policy. No compensation is received by any entity for this assignment; however, the aircraft can be recalled at any time; and
- h. All Units pay an Annual Unit Administration Charge (ANUAC) to HQ. This charge is necessary to provide additional revenue to support HQ in meeting the various rules and regulations as set forth by the Federal Aviation Administration, which requires central record keeping and central responsibility to be maintained, to operate a unique business of flying 80-year-old aircraft. ANUAC revenues and expenses are part of the HQ and Units consolidated financial statements but then are eliminated during the consolidation process.

Note 4. Lease Agreement between the City of Dallas, Texas, and the Commemorative Air Force, Inc.

On December 31, 2015 (the effective date), the CAF entered into a lease agreement with the City of Dallas to lease land and facilities at the Dallas Executive Airport for its new International Headquarters.

The agreement has a termination date of December 31, 2054, unless terminated earlier pursuant to provisions of the agreement.

The lease requires annual base rent payments of \$1,000. Beginning in year six of the lease agreement, the lease requires additional annual rent payments totaling \$120,000. Additional rent payments are abated by the percentage specified below when the following events occur:

- a. The additional base rent shall be abated by 30% (\$36,000 per year, payable monthly) each year the CAF maintains at least 25 full-time jobs on the leased premises with a payroll of at least \$1.5 million;
- b. The additional base rent shall be abated by 40% (\$48,000 per year, payable monthly) each year after the year in which the CAF constructs a new hangar valued at no less than \$5,000,000 as required by the Development Agreement and operates a museum attraction displaying historic military aircraft open to the general public and school groups on at least 250 days a year; and
- c. The additional base rent shall be abated by 30% (\$36,000 per year, payable monthly) each year that the CAF sponsors and produces at least one major event on the premises.

The lease is accounted for as a capital lease in the consolidated statement of financial position, with the associate depreciation in the consolidated statement of activities. For the years ended December 31, 2020 and 2019, the CAF recorded \$45,183 in depreciation expense related to the capital lease.

Note 5. Development Agreement

On December 1, 2016, the CAF entered into a Development Agreement with the City of Dallas in conjunction with the Group's relocation of its International Headquarters to the Dallas Executive Airport. The Agreement sets out requirements and milestones for relocation to existing facilities and construction of new facilities.

The Agreement provided for a grant of \$600,000 upon initial relocation. This amount is included in the consolidated statement of activities for the year ended December 31, 2016. The CAF achieved a milestone per the Agreement in 2019 and received a \$100,000 grant.

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Notes to Consolidated Financial Statements

The Agreement also outlines Phase I Improvements, which require that the CAF invest a minimum of \$5,000,000 in a minimum of 35,000 square feet of museum and hangar space. The CAF was required to obtain a building permit for the Phase I Improvements by December 31, 2019 and complete Phase I Improvements by December 31, 2020. In consideration for the CAF's investment in Phase I Improvements, the City of Dallas subsequently paid the CAF \$2,000,000 in June of 2021.

Note 6. Fair Value of Investments

For assets and liabilities measured at fair value on a recurring basis, accounting principles generally accepted in the United States of America establish a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are described below:

Level 1: Quoted price in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include publicly traded mutual funds and fixed income equities.

Level 2 securities include money markets and CDs. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

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Notes to Consolidated Financial Statements

The following table presents the fair value measurements of assets and liabilities recognized in the consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2020:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Investments				
Equities	\$ 6,417,443	\$ -	\$ -	\$ 6,417,443
Fixed income	2,611,034	-	-	2,611,034
Mutual funds	412,593	-	-	412,593
Tangible assets (commodities)	212,881	-	-	212,881
Cash deposits	502,585	-	-	502,585
Total investments	10,156,536	-	-	10,156,536
Money markets	402,346	-	-	402,346
Total	<u>\$ 10,558,882</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,558,882</u>

The following table presents the fair value measurements of assets and liabilities recognized in the consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Investments				
Equities	\$ 6,063,277	\$ -	\$ -	\$ 6,063,277
Fixed income	2,200,220	-	-	2,200,220
Mutual funds	435,038	-	-	435,038
Tangible assets (commodities)	217,559	-	-	217,559
Total investments	8,916,094	-	-	8,916,094
Money markets	603,734	-	-	603,734
Total	<u>\$ 9,519,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,519,828</u>

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Notes to Consolidated Financial Statements

Investments at December 31, 2020 and 2019, consisted of the following:

	2020	2019
Equities	\$ 6,417,443	\$ 6,063,277
Fixed income	2,611,034	2,200,220
Mutual funds	412,593	435,038
Tangible assets (commodities)	212,881	217,559
Cash deposits	502,585	-
Investments	10,156,536	8,916,094
Money markets	402,346	603,734
Total investments at fair value	\$ 10,558,882	\$ 9,519,828

Note 7. Accounts Receivable

Accounts receivable (net) at December 31, 2020 and 2019 consist of the following:

	2020	2019
Member dues, net of allowance	\$ 23,697	\$ 35,070
Construction accounts receivable	1,178,664	
Other, net of allowance	336,268	285,903
Total accounts receivable (net)	\$ 1,538,629	\$ 320,973

Note 8. Pledges Receivable

Pledges receivable at December 31, 2020 and 2019 consist of the following:

	2020	2019
Life members, net of allowance	\$ 18,600	\$ 11,400
Employees pledge, aircraft restoration, and national airbase, net of allowance	703,799	135,976
Aircraft sponsorship, net of allowance	8,692	20,337
Total pledges receivable	\$ 731,091	\$ 167,713

Multi-year pledges at December 31, 2020 consist of the following:

	Year Ending December 31,		
	2021	\$	551,260
	2022		86,597
	2023		58,414
	2024		34,820
	Total	\$	731,091

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Notes to Consolidated Financial Statements

Note 9. Property and Equipment

A summary of property and equipment and the related accumulated depreciation at December 31, 2020 and 2019 follows:

	2020	2019
Building	\$ 12,494,795	\$ 12,512,966
Leasehold improvements	1,891,695	1,762,551
Furniture, fixtures and equipment	881,273	867,840
Exhibits	4,063,231	4,630,031
Vehicles	286,921	290,621
Construction in progress	8,272,898	997,836
Aircraft property	400,000	400,000
Leased property	1,762,125	1,762,125
Land	110,000	110,000
Less accumulated depreciation	(11,421,636)	(11,378,570)
Total	\$ 18,741,302	\$ 11,955,400
Depreciation expense for the year ended December 31,	\$ 820,000	\$ 743,262

During 2017, the CAF received a donated A-36 Bonanza aircraft. The aircraft is not considered to be a historical artifact, as defined in the Group's mission statement. The donation stipulates that the aircraft must be displayed by the Group for a period of five years. At that time, the Group is free to sell the aircraft and use proceeds to benefit the direct care and maintenance of existing collections. Because the aircraft is not considered a collection artifact, it is capitalized at the fair value of the aircraft at the date of donation and depreciated at its estimated useful life of five years.

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Notes to Consolidated Financial Statements

Note 10. Notes Payable

Following is a summary of notes payable for the Units at December 31, 2020 and 2019:

	2020	2019
Unsecured note payable due in monthly installments as follows: April 2019 - September 2019 (monthly interest only at 5.97%), October 2019 - March 2024 (\$1,133 monthly principal plus interest at 5.97%), April 2024 - March 2029 (\$1,140 monthly principal plus interest at the WSJ Prime Rate + 0.75%) maturing on March 1, 2029.	\$ 78,625	\$ 96,511
Note payable due in monthly installments of \$4,905 including interest at 3.70%, due on April 7, 2023, secured by a hangar.	131,046	183,893
Note payable bearing interest at 8.75%, due on April 1, 2030, secured by a hangar. Interest only until April 1, 2010 then interest plus monthly principal payments of \$1,204 until maturity.	133,662	148,112
Note payable due in monthly installments of \$612 including interest at 6.00%; matures November, 1 2033; collateralized by a hangar.	65,960	69,504
Unsecured non-interest bearing note payable to an individual payable in unspecified increments over an unspecified time period. Payments to be made promptly as revenues are generated by future sponsorships or profits generated through air show appearances.	29,614	38,889
Total	\$ 438,907	\$ 536,909

Following are maturities of the notes for each of the next five years:

Year Ending December 31,	
2021	\$ 90,979
2022	94,098
2023	57,135
2024	32,643
2025	31,339
2026 and thereafter	132,713
Total	\$ 438,907

On September 4, 2015, the AAFHM entered into an agreement with a third party for HQ, as an affiliate to the AAFHM, to operate an aircraft for a period of five years. Upon maturity of the agreement, the AAFHM, or one of its affiliates, has to return the aircraft in acceptable working condition or purchase the aircraft for \$149,000. The note requires no principal payments until maturity and bears no interest. Upon maturity, the note begins incurring annual interest of up to 18%. Subsequently, the third party extended the maturity date of the note to July 1, 2025.

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Notes to Consolidated Financial Statements

The entire balances of the Units notes payable and the AAFHM note payable are included in the notes payable, current and long term portions of the consolidated statements of financial position as of December 31, 2020 and 2019.

Note 11. Lines of Credit

NAEC Line of Credit

In April of 2020, the CAF entered into a line of credit agreement with a financial institution to support the construction of the Henry B. Tippie National Aviation Education Center (the NAEC). The terms of the line of credit allow the CAF to borrow up to \$8,125,000. The line of credit has a variable interest rate based on the 3-month LIBOR plus 2.50%. The line of credit is guaranteed by AAHF, AAHM and AAHFM. The line of credit matures in April of 2023. The balance outstanding on the line of credit was \$3,200,000 at December 31, 2020.

Operating Line of Credit

In December 2014, CAF entered into a line of credit agreement with a financial institution. The terms of the line of credit agreement allows CAF to borrow up to \$2,000,000. The line of credit has a variable interest rate at the WSJ prime rate + 0.750%. The line of credit is guaranteed by AAHFM, AAHF and AAHM. The line of credit agreement matured on August 30, 2016. On August 28, 2018, the line was extended to July 31, 2020 with the original interest rate and a borrowing limit of \$2,500,000. On October 2, 2020, the line was extended to October 2, 2022 with the original interest rate and borrowing limit of \$2,500,000. The balances outstanding on the line of credit were \$749,100 and \$1,000,000 at December 31, 2020 and 2019, respectively.

Note 12. Leases

CAF has entered into numerous non-cancelable operating leases for real and personal property and equipment. The related lease expense is recorded in the consolidated statement of activities of the Units and Supporting Foundations. Additionally, the lease between the City of Dallas and HQ is recorded as a capital lease.

Future minimum lease payments as of December 31, 2020 are as follows:

Year Ending December 31,	
2021	\$ 347,919
2022	333,115
2023	246,789
2024	237,489
2025	196,861
2025 and thereafter	<u>4,093,199</u>
Total	<u>\$ 5,455,372</u>

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Notes to Consolidated Financial Statements

Note 13. Net Assets

Net asset classifications and balances at December 31, 2020 are shown on the consolidated statement of financial position. This schedule provides additional classification detail. See Note 1 for individual fund descriptions and imposed restrictions.

	Balances December 31, 2019	Increase (Decrease) in Net Assets	Balances December 31, 2020
With donor restrictions			
CAF Headquarters	\$ 1,100,836	\$ 258,326	\$ 1,359,162
Units- AAHF Arizona Foundation	134,819	14,740	149,559
AAHF- Aircraft fund	2,261,796	(78,011)	2,183,785
AAHF- Endowment earnings	473,540	41,634	515,174
AAHF- Headquarters	567,430	50	567,480
AAHM- Save the Girls	797	-	797
AAHM- Building and Museum Fund	3,909,727	1,607,033	5,516,760
AAHM- Education	473,535	(86,845)	386,690
Units- CAF Missouri Wing/USO			
General operation endowment	500,009	217,103	717,112
AAHF- Endowment fund	5,649,504	56,645	5,706,149
Units- AAHF Minnesota Foundation	-	938	938
Total with donor restriction	15,071,993	2,031,613	17,103,606
Without donor restrictions			
Undesignated	16,960,753	(1,393,810)	15,566,943
Designated			
AAHF - Quasi-endowment fund	94,549	-	94,549
AAHF - Life member fund	164,060	56,060	220,120
AAHF - Annuity Fund	9,615	(921)	8,694
Total without donor restriction	17,228,977	(1,338,671)	15,890,306
Total net assets	\$ 32,300,970	\$ 692,942	\$ 32,993,912

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Notes to Consolidated Financial Statements

Net asset classifications and balances at December 31, 2019 are shown on the consolidated statement of financial position. This schedule provides additional classification detail.

	Balances December 31, 2018	Increase (Decrease) in Net Assets	Balances December 31, 2019
With donor restrictions			
CAF Headquarters	\$ 2,107,698	\$ (1,006,862)	\$ 1,100,836
Units- AAHF Arizona Foundation	60,803	74,016	134,819
AAHF- Aircraft Fund	2,505,415	(243,619)	2,261,796
AAHF- Endowment earnings	357,386	116,154	473,540
AAHF- Headquarters	567,430	-	567,430
AAHM- Save the Girls	797	-	797
AAHM- Building and Museum Fund	3,945,424	(35,697)	3,909,727
AAHM- Education	363,526	110,009	473,535
Units- CAF Missouri Wing/USO			
General operation endowment	380,000	120,009	500,009
AAHF- Endowment fund	5,562,168	87,336	5,649,504
AAHM- Endowment fund	24,542	(24,542)	-
Total with donor restrictions	15,875,189	(803,196)	15,071,993
Without donor restrictions			
Undesignated	15,977,651	983,102	16,960,753
Designated			
AAHF- Quasi-endowment fund	94,549	-	94,549
AAHF- Life member fund	137,554	26,506	164,060
AAHF- Annuity Fund	9,690	(75)	9,615
Total with donor restrictions	16,219,444	1,009,533	17,228,977
Total net assets	\$ 32,094,633	\$ 206,337	\$ 32,300,970

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Notes to Consolidated Financial Statements

Note 14. Endowment Funds

Board Designated Endowment Funds and Quasi-Endowment Fund

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Group's Board of Directors established a quasi-endowment fund for the support and benefit of the CAF, the AAHFM and the AAHM. This fund is designated and all Foundation funds, except those funds necessary for its own administrative purposes, are deposited into this fund and are invested, held and administered by the Board as needed.

Interpretation of the Law

The Group has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Group classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value 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 instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in donor restricted endowment net assets is classified as without donor restrictions-designated quasi-endowment until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment Spending and Investment Policies

The Group has adopted investment and spending policies for endowment assets that attempt to provide a fairly predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Most assets are invested and are administered by Bank of America – Private Bank in a manner that is intended to produce results with a moderate level of investment risk. A small portion of the assets are in interest bearing money market accounts. The Group expects its endowment funds, over time, to provide an average rate of return of approximately 8% percent annually. While actual returns in any given year may vary from this amount, the CAF General Staff may request up to a 5% market value distribution of income from the endowments.

The CAF General Staff and the AAHM Board requested a 6% and 7% market value distributions of income from their respective endowment funds in 2020 and 2019, respectively.

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Notes to Consolidated Financial Statements

Endowment composition at December 31, 2020 is as follows:

	Without Donor restriction Quasi- Endowments	With Donor Restriction Endowments
Endowment net assets, beginning of year	\$ 268,224	\$ 6,284,332
Interest and dividends	23,552	95,297
Total investment	291,776	6,379,629
Contribution	50,005	198,842
Appropriation of endowment assets for expenditure	(18,418)	(4,713)
Endowment net assets, end of year	\$ 323,363	\$ 6,573,758

Endowment composition at December 31, 2019 is as follows:

	Without Donor restriction Quasi- Endowments	With Donor Restriction Endowments
Endowment net assets, beginning of year	\$ 241,793	\$ 6,027,513
Interest and dividends	6,561	1,097
Total investment	248,354	6,028,610
Contribution	28,554	284,871
Appropriation of endowment assets for expenditure	(8,684)	(29,149)
Endowment net assets, end of year	\$ 268,224	\$ 6,284,332

Note 15. Contributed Services

Contributions are recognized at their fair value if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Management determined that the total contributed services that met this definition were \$841,448 and \$1,146,248 for the years ended December 31, 2020 and 2019, respectively, and were recorded as both donations and also expensed to costs and expenses in the consolidated financial statements.

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Group's programs. These donated services are not reflected in the consolidated financial statements since the services do not require specialized skills.

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Notes to Consolidated Financial Statements

Note 16. Related Party Transactions

The American Airpower Heritage Group (the Group) consists of multiple entities as discussed in Note 1. As part of their operations, there are various transactions between the entities for various purposes.

The recording of these transactions depends upon the underlying intent. If the transfer is a temporary advance, other intragroup receivables and payables are recorded. These amounts are reversed when the advance is repaid.

Transactions from one corporation to another in accordance with operating agreements or other donor designations for fulfilling the mission of the Group are recorded as revenues of the receiving entity and as expenditures of the provider entity and are included in donations to or from affiliates.

For the purposes of the consolidated financial statements, all intercompany transactions have been eliminated.

Note 17. Aircraft Collection Proceeds and Restoration Grant

Through the restoration grant program, aircraft not being utilized by the CAF are sold and proceeds used for additional aircraft acquisition and restoration and repair of current aircraft. These funds are put into a special account and are used only for restoration purposes. Units and Supporting Foundations seeking use of these funds submit a request for the funds needed and explanation of how the funds will be used. The restoration committee reviews requests and awards monies to Units and Supported Foundations for use on specific aircrafts.

Donations of \$55,584 and \$25,957 were made to the grant program by members for multiple restoration projects for the years ended December 31, 2020 and 2019, respectively.

The Group sold no aircraft in 2020 and two aircraft in 2019. The Group purchased one aircraft in 2020 and two aircraft in 2019.

The Group received one donated plane in 2020 and four donated planes in 2019 to be held in its collection. The planes were not capitalized in accordance with the Group's adopted accounting policies.

Note 18. CARES ACT – PPP Loan and Debt Forgiveness

PPP Loan

On April 16, 2020, the Group received a loan in the amount of \$541,900 under the Payroll Protection Program (the PPP Loan). The loan accrued interest at a rate of 1.0% and has an original maturity date of two years which can be extended to five years by mutual agreement of the Group and the lender. Payments are deferred during the Deferral Period. The Deferral Period is the period beginning on the date of this Note, April 16, 2020, and ending 10 months after the last day of the covered period (Deferral Expiration Date). Any amounts not forgiven under the Program will be payable in equal installments of principal plus any interest owed on the payment date from the Deferred Expiration Date through the Maturity Date. Additionally, any accrued interest that is not forgiven under the Program will be due on the First Payment Date, which is the 15th of the month following the month in which the Deferral Expiration Date occurs.

American Airpower Heritage Group

Notes to Consolidated Financial Statements

Under the requirements of the CARES Act, as amended by the PPP Flexibility Act and Combined Appropriations Act, 2021, proceeds may only be used for the Company's eligible payroll costs (with salary capped at \$100,000 on an annualized basis for each employee), or other eligible costs related to rent, mortgage interest, utilities, covered operations expenditures, in each case paid during the 24-week period following the disbursement. The PPP Loan may be fully forgiven if (i) proceeds are used to pay eligible payroll costs or other eligible costs and (ii) full-time employee headcount and salaries are either maintained during the 24-week period following disbursement or restored by December 31, 2020. If not maintained or restored, any forgiveness of the PPP Loan would be reduced in accordance with regulations that were issued by the Small Business Administration (SBA). All the proceeds of the PPP loan were used by the Council to pay eligible payroll costs and the Council maintained its headcount and otherwise complied with the terms of the PPP loan.

It was determined that the Group had acted in compliance with the program and subsequently received forgiveness of the PPP Loan on November 18, 2020. The balance of the PPP loan of \$541,900 was classified as grant or state fund revenue in the changes in net assets without donor restrictions section of the consolidated statements of activities for the year ended December 31, 2020.

Note 19. Subsequent Events

New Market Tax Credit

In January of 2021, the Group entered into a financial arrangement to help fund the cost of the construction of the Henry B. Tippie National Aviation Education Center (the Center) through the use of the New Market Tax Credit (NMTC) program. Under this arrangement, the Group entered into an agreement to lend \$9,314,400 to a third party investment fund. At the time the Group entered into the loan agreement, the Group received loans that provided for borrowings of \$11,820,000 from a community development entities (CDE) through a qualified low-income community investment (QLICI) loans, under Section 45D of the Internal Revenue Code of 1986, as amended. The note receivable matures in December of 2046 and the notes payable mature in December of 2050.

The interest rate on the Group's note receivable is fixed at 1.02% per annum. Interest is payable quarterly, beginning March 2021 until December 2046. All principal and unpaid interest is due December 31, 2046.

Deferred loan costs for the transaction were \$684,106. These loan costs will be recognized over the life of the loans.

The Group's notes payable were structured with two CDE's. The notes have interest rates of 1.00% per annum. Payments of interest are due quarterly beginning in March of 2021 through January of 2028, the compliance period (seventh anniversary of the date of the loan). Thereafter, principal and interest payments will be due quarterly from January 2028 through the maturity date of December 31, 2050. The Group is not permitted to prepay any or all of the outstanding principal amount prior to the end of the compliance period. At any time after the seventh anniversary of the date of the loan, the Group may prepay all of any portion of the principal amount, without penalty.

American Airpower Heritage Group

Notes to Consolidated Financial Statements

PPP Loan 2

On January 29, 2021 the Group received a loan in the amount of \$541,000 under the second round of the Payroll Protection Program (PPP2 Loan). The loan accrues interest at a rate of 1.0% and has an original maturity date of five years. Payments are deferred during the Deferral Period. The Deferral Period is the period beginning on the date of this note, January 29, 2021, and ending ten months after the last day of the covered period (Deferral Expiration Date). Any amounts not forgiven under the program will be payable in equal installments of principal plus any interest owed on the payment date from the Deferral Expiration Date through the maturity date. Additionally, any accrued interest that is not forgiven under the program will be due on the first payment date, which is the 15th of the month following the month in which the Deferral Expiration Date occurs.

Supplemental Information



Independent Auditor's Report on Supplemental Information

To the General Staff of
American Airpower Heritage Group
Dallas, Texas

We have audited the consolidated financial statements of American Airpower Heritage Group as of and for the year ended December 31, 2020, and have issued our report thereon dated July 10, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating financial statements and schedules are presented for the purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
June 28, 2021

Weaver and Tidwell, L.L.P.
400 West Illinois Avenue, Suite 1550 / Midland, Texas 79701
Main: 432.683.5226

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American Airpower Heritage Group
Consolidating Statement of Financial Position
December 31, 2020

(With Summarized Comparative Consolidated Totals for December 31, 2019)

	<u>CAF-HQ</u>	<u>CAF-Units and Supporting Foundations</u>	<u>AAHF</u>	<u>AAHM</u>
ASSETS				
Cash and cash equivalents	\$ 911,146	\$ 6,774,745	\$ 669,434	\$ 1,409,941
Accounts receivable (net)	206,152	128,372	25,441	1,178,664
Pledges receivable	3,466	-	27,293	700,332
Inventories	301,631	451,104	-	16,904
Prepaid expenses	201,407	269,246	-	35,500
Investments	-	3,062,325	7,094,211	-
Intragroup receivables (net)	1,633,679	273,664	620,180	-
Intragroup notes receivable	71,885	-	1,107,061	-
Property and equipment (net of accumulated depreciation)	9,677,106	8,347,355	-	716,841
Intangible assets (net of accumulated amortization)	7,375	15,514	-	-
Other assets	-	121,150	68,803	-
TOTAL ASSETS	<u>\$ 13,013,847</u>	<u>\$ 19,443,475</u>	<u>\$ 9,612,423</u>	<u>\$ 4,058,182</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 1,667,053	\$ 257,949	\$ 689	\$ 175,700
Accrued liabilities	646,416	25,752	-	-
Notes payable, current portion	-	90,979	-	-
Lines of credit	749,100	-	-	3,200,000
Capital lease liability	1,762,125	-	-	-
Deferred revenue	-	355,434	-	-
Intragroup payables (net)	318,437	719,691	53,882	1,435,513
Intragroup notes payable	-	1,178,946	-	-
Notes payable, long term portion	-	347,928	-	-
Total liabilities	5,143,131	2,976,679	54,571	4,811,213
NET ASSETS				
Without donor restriction	6,511,554	15,599,187	585,264	(6,657,278)
With donor restriction	1,359,162	867,609	8,972,588	5,904,247
Total net assets	<u>7,870,716</u>	<u>16,466,796</u>	<u>9,557,852</u>	<u>(753,031)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,013,847</u>	<u>\$ 19,443,475</u>	<u>\$ 9,612,423</u>	<u>\$ 4,058,182</u>

<u>AAHFM</u>	<u>Eliminating Entries</u>	<u>Consolidated Totals 2020</u>	<u>Consolidated Totals 2019</u>
\$ 579	\$ -	\$ 9,765,845	\$ 14,233,473
-	-	1,538,629	320,973
-	-	731,091	167,713
-	-	769,639	812,092
-	-	506,153	944,186
-	-	10,156,536	8,916,094
-	(2,527,523)	-	-
-	(1,178,946)	-	-
-	-	18,741,302	11,955,400
-	-	22,889	29,554
-	-	189,953	252,226
<u>\$ 579</u>	<u>\$ (3,706,469)</u>	<u>\$ 42,422,037</u>	<u>\$ 37,631,711</u>
\$ -	\$ -	\$ 2,101,391	\$ 1,030,318
-	-	672,168	403,962
-	-	90,979	88,370
-	-	3,949,100	1,000,000
-	-	1,762,125	1,762,125
-	-	355,434	448,427
-	(2,527,523)	-	-
-	(1,178,946)	-	-
149,000	-	496,928	597,539
149,000	(3,706,469)	9,428,125	5,330,741
(148,421)	-	15,890,306	17,228,977
-	-	17,103,606	15,071,993
<u>(148,421)</u>	<u>-</u>	<u>32,993,912</u>	<u>32,300,970</u>
<u>\$ 579</u>	<u>\$ (3,706,469)</u>	<u>\$ 42,422,037</u>	<u>\$ 37,631,711</u>

American Airpower Heritage Group

Consolidating Statement of Activities

Year Ended December 31, 2020

(With Summarized Comparative Consolidated Totals for December 31, 2019)

	CAF-HQ	CAF-Units and Supporting Foundations	AAHF
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS			
Departmental revenues	\$ 174,595	\$ 3,959,234	\$ -
Donations	3,785,016	4,019,949	7,000
Memberships	918,114	196,880	43,005
Donations from affiliates	7,604,581	817,254	-
Investment income (loss)	45,723	231,271	817,098
Insurance recovery	-	16,132	-
Gain (loss) on disposal of assets	1,069	33,173	-
Grant or state fund revenue	541,900	163,829	-
Other income (expense)	5,569	15,277	-
	<u>13,076,567</u>	<u>9,452,999</u>	<u>867,103</u>
Net assets released from restrictions through satisfaction of program requirements	<u>791,776</u>	<u>4,713</u>	<u>1,203,507</u>
Total revenues, gains and other support without donor restriction	13,868,343	9,457,712	2,070,610
Education	(1,053,943)	(10,106,952)	(1,164,977)
Management and general	(2,453,944)	-	-
Fundraising	<u>(3,792,763)</u>	<u>(1,350,106)</u>	<u>(421,530)</u>
Total costs and expenses	<u>(7,300,650)</u>	<u>(11,457,058)</u>	<u>(1,586,507)</u>
Increase (decrease) in net assets without donor restrictions	6,567,693	(1,999,346)	484,103
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS			
Donations	1,000,102	145,745	565,240
Donation from affiliates	-	-	76,579
Operating	-	-	453,707
Gain (loss) on disposal of assets	50,000	-	-
Other	-	-	124,849
Return of donation from foundation	-	-	-
Investment income	-	91,749	3,450
Net assets released from restrictions	<u>(791,776)</u>	<u>(4,713)</u>	<u>(1,203,507)</u>
Increase (decrease) in net assets with donor restrictions	<u>258,326</u>	<u>232,781</u>	<u>20,318</u>
CHANGE IN NET ASSETS	6,826,019	(1,766,565)	504,421
NET ASSETS, beginning of year	<u>1,044,697</u>	<u>18,233,361</u>	<u>9,053,431</u>
NET ASSETS, end of year	<u>\$ 7,870,716</u>	<u>\$ 16,466,796</u>	<u>\$ 9,557,852</u>

<u>AAHM</u>	<u>AAHFM</u>	<u>Eliminating Entries</u>	<u>Consolidated Totals 2020</u>	<u>Consolidated Totals 2019</u>
\$ -	\$ -	\$ -	\$ 4,133,829	\$ 11,815,359
204,000	-	-	8,015,965	8,252,952
20,267	-	-	1,178,266	1,460,459
61,485	-	(8,483,320)	-	-
-	-	-	1,094,092	1,386,889
-	-	-	16,132	22,256
-	-	-	34,242	80,369
-	-	-	705,729	145,595
-	-	-	20,846	21,059
285,752	-	(8,483,320)	15,199,101	23,184,938
316,701	-	(76,579)	2,240,118	2,125,232
602,453	-	(8,559,899)	17,439,219	25,310,170
(6,993,574)	-	8,041,812	(11,277,634)	(17,502,581)
-	-	142,226	(2,311,718)	(2,513,817)
-	-	375,861	(5,188,538)	(4,284,239)
(6,993,574)	-	8,559,899	(18,777,890)	(24,300,637)
(6,391,121)	-	-	(1,338,671)	1,009,533
1,836,889	-	-	3,547,976	1,287,056
-	-	(76,579)	-	-
-	-	-	453,707	577,902
-	-	-	50,000	192,697
-	-	-	124,849	208,196
-	-	-	-	(1,070,348)
-	-	-	95,199	126,533
(316,701)	-	76,579	(2,240,118)	(2,125,232)
1,520,188	-	-	2,031,613	(803,196)
(4,870,933)	-	-	692,942	206,337
4,117,902	(148,421)	-	32,300,970	32,094,633
<u>\$ (753,031)</u>	<u>\$ (148,421)</u>	<u>\$ -</u>	<u>\$ 32,993,912</u>	<u>\$ 32,300,970</u>

American Airpower Heritage Group

Consolidating Statement of Cash Flows

Year Ended December 31, 2020

(With Summarized Comparative Consolidated Totals for December 31, 2019)

	<u>CAF-HQ</u>	<u>CAF-Units and Supporting Foundations</u>	<u>AAHF</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 6,826,019	\$ (1,766,565)	\$ 504,421
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities			
Depreciation	282,687	450,068	-
Amortization	326	13,839	-
Gain on sale of property and equipment	-	(33,173)	-
Unrealized gain from investments	-	(255,929)	(791,182)
Changes in operating assets and liabilities			
Accounts receivable (net)	(62,565)	(3,739)	27,312
Pledges receivable	1,149	-	4,444
Inventories	5,872	36,581	-
Prepaid expenses	251,492	210,569	-
Intragroup receivable (net)	(306,801)	(121,449)	33,248
Other assets	-	65,723	(3,450)
Accounts payable	(50,630)	5,227	(103,878)
Accrued liabilities	275,463	(7,257)	-
Deferred revenue	-	(92,993)	-
Intragroup payable (net)	<u>72,673</u>	<u>311,404</u>	<u>(21,459)</u>
Total adjustments	<u>469,666</u>	<u>578,871</u>	<u>(854,965)</u>
Net cash provided by (used in) operating activities	<u>7,295,685</u>	<u>(1,187,694)</u>	<u>(350,544)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	(32,620)	(373,462)	-
Donations (to) and from affiliates	(6,555,818)	-	-
Disposal of property and equipment	-	49,621	-
Purchase of intangibles	-	(7,500)	-
Purchase of investments	-	(733,960)	(193,707)
Sale of investments	<u>-</u>	<u>248,883</u>	<u>485,452</u>
Net cash (used in) provided by investing activities	<u>(6,588,438)</u>	<u>(816,417)</u>	<u>291,745</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Reduction in principal of long-term debt	-	(98,002)	-
Proceeds from long-term debt borrowings	-	-	-
Net borrowings on line of credit	<u>(250,900)</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(250,900)</u>	<u>(98,002)</u>	<u>-</u>
Net change in cash and cash equivalents	456,347	(2,102,113)	(58,799)
CASH AND CASH EQUIVALENTS, beginning of year	<u>454,799</u>	<u>8,876,858</u>	<u>728,233</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 911,146</u>	<u>\$ 6,774,745</u>	<u>\$ 669,434</u>
CASH PAID DURING YEAR FOR INTEREST	<u>\$ 106,899</u>	<u>\$ 81,539</u>	<u>\$ 23,654</u>

<u>AAHM</u>	<u>AAHFM</u>	<u>Eliminating Entries</u>	<u>Consolidated Totals 2020</u>	<u>Consolidated Totals 2019</u>
\$ (4,870,933)	\$ -	\$ -	\$ 692,942	\$ 206,337
87,245	-	-	820,000	743,262
-	-	-	14,165	25,854
-	-	-	(33,173)	(174,230)
-	-	-	(1,047,111)	(1,380,817)
(1,178,664)	-	-	(1,217,656)	6,431
(568,971)	-	-	(563,378)	3,274,329
-	-	-	42,453	98,238
(24,028)	-	-	438,033	(100,752)
-	-	-	(395,002)	46,224
-	-	-	62,273	(114,246)
(33,980)	-	-	(183,261)	(54,640)
-	-	-	268,206	156,585
-	-	-	(92,993)	(154,976)
32,384	-	-	395,002	(46,224)
<u>(1,686,014)</u>	<u>-</u>	<u>-</u>	<u>(1,492,442)</u>	<u>2,325,038</u>
(6,556,947)	-	-	(799,500)	2,531,375
(5,961,934)	-	-	(6,368,016)	(1,304,004)
6,555,818	-	-	-	-
-	-	-	49,621	300,691
-	-	-	(7,500)	(6,875)
-	-	-	(927,667)	(585,183)
-	-	-	734,335	639,668
<u>593,884</u>	<u>-</u>	<u>-</u>	<u>(6,519,226)</u>	<u>(955,703)</u>
-	-	-	(98,002)	(78,516)
3,200,000	-	-	3,200,000	98,000
-	-	-	(250,900)	1,000,000
<u>3,200,000</u>	<u>-</u>	<u>-</u>	<u>2,851,098</u>	<u>1,019,484</u>
(2,763,063)	-	-	(4,467,628)	2,595,156
4,173,004	579	-	14,233,473	11,638,317
<u>\$ 1,409,941</u>	<u>\$ 579</u>	<u>\$ -</u>	<u>\$ 9,765,845</u>	<u>\$ 14,233,473</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 212,092</u>	<u>\$ 95,786</u>

American Airpower Heritage Group

Consolidating Schedule of Departmental Revenues

Year Ended December 31, 2020

(With Summarized Comparative Consolidated Totals for December 31, 2019)

Departmental Revenue	CAF-HQ	CAF-Units and Supporting Foundations	AAHF	Eliminating Entries	Consolidated Totals 2020	Consolidated Totals 2019
Air show	\$ 54,426	\$ 2,573,291	\$ -	\$ -	\$ 2,627,717	\$ 8,596,831
Operating	16,055	908,086	-	-	924,141	1,745,180
Sales	58,274	-	-	-	58,274	88,303
Special events	45,840	477,857	-	-	523,697	1,385,045
	<u>\$ 174,595</u>	<u>\$ 3,959,234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,133,829</u>	<u>\$ 11,815,359</u>

American Airpower Heritage Group
 Consolidating Schedule of Costs and Expenses
 Year Ended December 31, 2020

(With Summarized Comparative Consolidated Totals for December 31, 2019)

COST AND EXPENSES	CAF Units and Supporting			
	CAF HQ	Foundations	AAHF	AAHM
Advertising and promotion	\$ 9,241	\$ 261,521	\$ -	\$ -
Aircraft insurance and ANUAC	-	-	-	-
Aircraft maintenance	4,643	2,089,118	740,908	-
Air show expense	741,725	258,647	-	-
Amortization	326	-	-	-
Bad debt	(78,629)	3,701	-	-
Contract services	184,677	426,606	-	5,806
Cost of merchandise sold	19,093	457,368	-	-
Depreciation	282,687	450,068	-	87,245
Designated expenses	-	-	1,880	-
Donations to affiliates	142,226	977,241	748,179	6,692,253
Dues and subscriptions	37,015	49,966	-	266
Entertainment	8,594	1,139	-	307
Equipment rental	12,829	99,051	-	-
Exhibits expense	-	48,442	-	-
Fuel and oil	528	511,627	-	-
Fundraising expense	2,298,896	1,350,039	-	-
Insurance	37,083	1,452,588	-	28,792
Interest	106,899	81,539	23,654	-
Miscellaneous and other	45,316	132,762	45,323	18,249
Operating expenses	137,505	250,335	-	5,575
Other expense	21,169	-	-	-
Payroll and payroll related expenses	2,564,903	548,253	-	42,000
Printing and production	101,361	16,226	-	-
Professional fees	94,469	83,107	12,802	47,633
Rent	22,470	883,923	-	59,482
Repairs and maintenance	27,131	204,061	-	-
Shipping and freight	64,324	89,665	-	309
Special events	175,126	210,715	-	-
Supplies	75,143	92,052	13,761	1,422
Taxes and licenses	71,297	-	-	-
Telephone and utilities	47,123	290,657	-	3,737
Translation (gain) loss	-	-	-	-
Transportation expense	494	-	-	39
Travel and meetings	44,986	136,641	-	459
TOTAL COSTS AND EXPENSES	\$ 7,300,650	\$ 11,457,058	\$ 1,586,507	\$ 6,993,574

<u>AAHFM</u>	<u>Eliminating Entries</u>	<u>2020</u>	<u>2019</u>
\$ -	\$ -	\$ 270,762	\$ 397,223
-	-	-	25,958
-	-	2,834,669	4,449,041
-	-	1,000,372	2,207,119
-	-	326	326
-	-	(74,928)	40,715
-	-	617,089	936,623
-	-	476,461	1,136,162
-	-	820,000	743,262
-	-	1,880	1,880
-	(8,559,899)	-	-
-	-	87,247	91,709
-	-	10,040	34,563
-	-	111,880	166,038
-	-	48,442	256,216
-	-	512,155	1,252,200
-	-	3,648,935	3,264,789
-	-	1,518,463	1,245,299
-	-	212,092	118,612
-	-	241,650	480,434
-	-	393,415	507,478
-	-	21,169	37,566
-	-	3,155,156	3,127,785
-	-	117,587	242,460
-	-	238,011	136,723
-	-	965,875	836,918
-	-	231,192	282,070
-	-	154,298	148,725
-	-	385,841	864,870
-	-	182,378	240,576
-	-	71,297	50,169
-	-	341,517	376,363
-	-	-	(4,288)
-	-	533	9,619
-	-	182,086	595,434
<u>\$ -</u>	<u>\$ (8,559,899)</u>	<u>\$ 18,777,890</u>	<u>\$ 24,300,637</u>

American Airpower Heritage Group
 Consolidating Schedules of Intragroup Notes (Payable)/Receivable
 December 31, 2020 and 2019

Intragroup notes (payable)/receivable for the year ended December 31, 2020 were:

	AAHF	CAF-Units and Supporting Foundations	HQ
Unsecured note payable to an intergroup party bearing interest at prime plus 2.00%, due December 31, 2022.	\$ 923,509	\$ (923,509)	\$ -
Unsecured note payable to an intergroup party bearing interest at prime plus 2.00%, due December 31, 2022.	93,552	(93,552)	-
Unsecured note payable to an intergroup party bearing interest at prime plus 2.00%, due December 31, 2022.	90,000	(90,000)	-
Unsecured note payable to an intergroup party bearing interest at prime plus 2.00%, with monthly payments of \$2,256, maturing December 1, 2021.	-	(71,885)	71,885
Total	\$ 1,107,061	\$ (1,178,946)	\$ 71,885

Intragroup notes (payable)/receivable for the year ended December 31, 2019 were:

	AAHF	CAF-Units and Supporting Foundations	HQ
Unsecured note payable to an intergroup party bearing interest at prime plus 2.00%, due December 31, 2024.	\$ 923,509	\$ (923,509)	\$ -
Unsecured note payable to an intergroup party bearing interest at prime plus 2.00%, due December 31, 2022.	95,245	(95,245)	-
Unsecured note payable to an intergroup party bearing interest at prime plus 2.00%, due December 31, 2022.	90,000	(90,000)	-
Unsecured note payable to an intergroup party bearing interest at prime plus 2.00% with monthly payments of \$2,256, maturing December 1, 2021.	-	(51,511)	51,511
Total	\$ 1,108,754	\$ (1,160,265)	\$ 51,511

American Airpower Heritage Group

Consolidating Schedules of Intragroup Notes (Payable)/Receivable – Continued December 31, 2020 and 2019

Intragroup (payable)/receivable at December 31, 2020 was:

	Receivable	Payable
CAF-HQ	\$ 1,633,679	\$ 318,437
CAF-Units and supporting foundations	273,664	719,691
AAHF	620,180	53,882
AAHM	-	1,435,513
	\$ 2,527,523	\$ 2,527,523

Intragroup (payable)/receivable at December 31, 2019 was:

	Receivable	Payable
CAF-HQ	\$ 1,347,252	\$ 245,764
CAF-Units and supporting foundations	152,215	426,968
AAHF	651,735	75,341
AAHM	-	1,403,129
	\$ 2,151,202	\$ 2,151,202