

American Airpower Heritage Group

Consolidated Financial Report

December 31, 2022

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Independent Auditor's Report

To the General Staff of
American Airpower Heritage Group

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, 2022 and 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated statements of financial position of the Group as of December 31, 2022 and 2021, and the results of their activities and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, in 2022 the Group adopted new accounting guidance ASU 2016-02, Leases (Topic 842) on a modified retrospective basis. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

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

The General Staff of
American Airpower Heritage Group

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
June 28, 2023

American Airpower Heritage Group
Consolidated Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 12,749,627	\$ 13,273,642
Accounts receivable	896,403	1,009,170
Pledges receivable, net	167,099	143,203
Inventories	1,097,303	766,195
Prepaid expenses	852,334	478,100
Investments	10,574,385	10,453,727
Property and equipment (net of accumulated depreciation)	18,246,432	19,648,110
Intangible assets (net of accumulated amortization)	12,474	17,235
Note receivable	9,314,400	9,314,400
Right-of-use assets - finance, net	2,310,348	-
Right-of-use assets - operating, net	3,079,451	-
Other assets	227,109	179,741
TOTAL ASSETS	\$ 59,527,365	\$ 55,283,523
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 1,242,380	\$ 994,080
Accrued liabilities	251,628	612,269
Lines of credit	800,000	750,000
Capital lease liability	-	1,762,125
Lease liabilities - finance	2,956,563	-
Lease liabilities - operating	3,102,547	-
Deferred revenue	667,874	331,195
Notes payable, net	11,582,095	11,643,449
Total liabilities	20,603,087	16,093,118
NET ASSETS		
Without donor restrictions	24,677,772	26,833,984
With donor restrictions	14,246,506	12,356,421
Total net assets	38,924,278	39,190,405
TOTAL LIABILITIES AND NET ASSETS	\$ 59,527,365	\$ 55,283,523

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Departmental revenues	\$ 13,043,997	\$ 12,023,800
Donations:		
General donations	8,569,645	8,306,844
In-kind donations	1,500,732	1,540,020
Memberships	1,815,871	1,680,276
Investment (loss) income, net	(1,238,660)	1,240,451
Gain on disposal of assets	383,766	85,859
Grant or state fund revenue	163,360	633,833
Insurance recovery	1,007,092	229,523
Other	55,696	46,327
	<u>25,301,499</u>	<u>25,786,933</u>
Total revenues and gains without donor restriction		
Net assets released from restrictions through satisfaction of program requirements	1,638,729	9,518,004
	<u>26,940,228</u>	<u>35,304,937</u>
Total revenues, gains and other support without donor restrictions		
Expenses		
Education	(20,268,914)	(16,119,926)
Management and general	(2,561,825)	(2,612,807)
Fundraising	(6,265,701)	(5,628,526)
	<u>(29,096,440)</u>	<u>(24,361,259)</u>
Total costs and expenses		
(Decrease) increase in net assets without donor restrictions	(2,156,212)	10,943,678
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Donations:		
General donations	3,559,073	4,505,926
Other	(126,307)	174,754
Investment (loss) income, net	(119,104)	90,139
Gain on disposal of assets	215,152	-
Net assets released from restrictions	(1,638,729)	(9,518,004)
	<u>1,890,085</u>	<u>(4,747,185)</u>
(Decrease) increase in net assets with donor restrictions		
CHANGE IN NET ASSETS	(266,127)	6,196,493
NET ASSETS, beginning of year	<u>39,190,405</u>	<u>32,993,912</u>
NET ASSETS, end of year	<u>\$ 38,924,278</u>	<u>\$ 39,190,405</u>

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, 2022 and 2021

	2022				2021			
	Education	Management and General	Fundraising	Total	Education	Management and General	Fundraising	Total
Aircraft maintenance	\$ 7,024,745	\$ -	\$ 2,092	\$ 7,026,837	\$ 5,161,801	\$ 126,533	\$ -	\$ 5,288,334
Payroll and payroll related	1,569,993	1,308,399	1,133,059	4,011,451	1,305,803	1,389,737	859,428	3,554,968
Facilities and insurance	3,862,281	432,180	17,160	4,311,621	3,600,857	405,517	21,198	4,027,572
Administration expenses	1,821,984	484,848	4,040,461	6,347,293	1,762,183	425,827	3,952,046	6,140,056
Airshow and event expenses	2,720,193	-	209,982	2,930,175	1,841,107	12,968	76,134	1,930,209
Contract services	948,177	255,429	618,097	1,821,703	731,419	138,007	543,387	1,412,813
Other expenses	778,553	54,601	143,349	976,503	326,890	69,078	129,808	525,776
Operating expenses	173,052	26,368	25,575	224,995	270,003	45,140	149,528	464,671
Cost of merchandise sold	1,369,936	-	75,926	1,445,862	981,618	-	35,242	1,016,860
TOTAL EXPENSES	\$ 20,268,914	\$ 2,561,825	\$ 6,265,701	\$ 29,096,440	\$ 15,981,681	\$ 2,612,807	\$ 5,766,771	\$ 24,361,259

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, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (266,127)	\$ 6,196,493
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,152,517	966,857
Amortization	81,677	28,649
Gain on sale of property and equipment	(598,918)	(85,859)
Unrealized loss (gain) from investments	1,759,542	(950,587)
Reduction in ROU assets	348,432	-
Change in operating assets and liabilities:		
Accounts receivable	(507,828)	1,150,054
Pledges receivable	(23,896)	587,888
Inventories	(331,108)	3,444
Prepaid expenses	(374,234)	28,053
Intangible assets	4,436	-
Other assets	(47,368)	10,212
Accounts payable	248,300	(1,107,311)
Accrued liabilities	(8,356)	(59,899)
Deferred revenue	336,679	(24,239)
Lease liabilities	(321,174)	-
Total adjustments	1,718,701	547,262
Net cash provided by operating activities	1,452,574	6,743,755
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(520,468)	(2,480,663)
Issuance of notes receivable	-	(9,314,400)
Disposal of property and equipment	572,463	72,262
Purchase of investments	(2,842,151)	(601,198)
Sale of investments	961,951	1,254,594
Net cash used in investing activities	(1,828,205)	(11,069,405)
CASH FLOWS FROM FINANCING ACTIVITIES		
Reduction in principal of long-term debt	(84,349)	(3,297,598)
Payments on finance lease liabilities	(137,030)	-
Proceeds from long-term debt borrowings	22,995	11,820,000
Payment of debt issuance costs	-	(689,855)
Net proceeds from line of credit	50,000	900
Net cash (used in) provided by financing activities	(148,384)	7,833,447
Net change in cash and cash equivalents	(524,015)	3,507,797
CASH AND CASH EQUIVALENTS, beginning of year	13,273,642	9,765,845
CASH AND CASH EQUIVALENTS, end of year	\$ 12,749,627	\$ 13,273,642
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 156,312	\$ 153,717

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. The Group also includes the AAHM DEA Education Center, LLC (DEA), established in 2021.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of CAF, Units, AAHF, AAHM, AAHFM and DEA 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 six 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, 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.

AAHM DEA Education Center, LLC (DEA)

The American Airpower Heritage Museum DEA Education Center, LLC (DEA) is a portion of the business of the AAHM and was established in 2021 to participate in a New Market Tax Credit investment. This entity consists of the Henry B. Tippy National Aviation Education Center (NAEC) located in Dallas, Texas. This entity develops specialized educational curriculum and provides 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. This entity also displays some of the AAHM non-flying (static) museum artifacts to the general public.

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. Annual disbursements of \$40,000 and \$25,000 were made in 2022 and 2021, 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 and 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 \$12,474 and \$17,235 at December 31, 2022 and 2021, respectively. Accumulated amortization was \$153,229 and \$148,468 at December 31, 2022 and 2021, 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 \$194,238 and \$198,651 as of December 31, 2022 and 2021 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.

Retirement Plan

The Group offers full-time, permanent employees a 3% employee matching simple IRA (SRA) retirement plan. The Group contributed \$74,913 and \$65,922 of matching SRA funds for the years ended December 31, 2022 and 2021, 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.

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.

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.

American Airpower Heritage Group

Notes to Consolidated Financial Statements

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.

Recent Pronouncements

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, including subsequent related ASU amendments, that supersedes Accounting Standards Codification (ASC) 840 *Leases* and replaces it with ASC 842 *Leases*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Group adopted the standard effective January 1, 2022, and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021, are made under prior lease guidance in FASB ASC 840.

The Group has elected the package of practical expedients to account for any existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under ASC Topic 842, (b) whether the classification of capital leases or operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

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Notes to Consolidated Financial Statements

As a result of the adoption of the new lease accounting guidance, the Group recognized on January 1, 2022, a lease liability of \$2,949,972 for finance leases and \$3,427,883 for operating leases, and right-of-use assets of \$2,391,700 for finance leases and \$3,427,883 for operating leases.

The standard had a material impact on the Group's consolidated statements of financial position, but did not have an impact on the Group's consolidated statements of activities, nor consolidated statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the Group's accounting for finance leases remained substantially unchanged.

Contributed Nonfinancial Assets

The FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The guidance is effective for fiscal years beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. This standard should be applied on a retroactive basis. The Group implemented this guidance effective January 1, 2022.

Subsequent Events

The Group has evaluated subsequent events through June 28, 2023, the date these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these 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 statements of financial position date, are as follows:

	2022	2021
Cash and cash equivalents	\$ 12,749,627	\$ 13,273,642
Accounts receivable	896,403	1,009,170
Pledges receivable	167,099	143,203
Inventories	1,097,303	766,195
Investments	10,574,385	10,453,727
Total financial assets, year end	25,484,817	25,645,937
Less		
Pledges receivable, long term	(73,632)	(57,331)
Net assets with donor restrictions	(14,246,506)	(12,356,421)
Total financial assets not available to be used within one year	(14,320,138)	(12,413,752)
Total financial assets available to meet general expenditures within one year	\$ 11,164,679	\$ 13,232,185

As of December 31, 2022 and 2021, the Group had availability on its lines of credit of \$1,700,000 and \$1,750,000, respectively.

American Airpower Heritage Group

Notes to Consolidated Financial Statements

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;
- 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 AAHF 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.

American Airpower Heritage Group

Notes to Consolidated Financial Statements

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 finance lease in the consolidated statement of financial position.

Note 5. 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 equities, fixed income equities, publicly traded mutual funds, and commodities.

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Notes to Consolidated Financial Statements

Level 2 securities include 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.

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, 2022:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Investments				
Equities	\$ 7,452,420	\$ -	\$ -	\$ 7,452,420
Fixed income	2,776,999	-	-	2,776,999
Mutual funds	246,397	-	-	246,397
Tangible assets (commodities)	78,406	-	-	78,406
Certificates of deposit	-	20,163	-	20,163
 Total investments	 10,554,222	 20,163	 -	 10,574,385
 Money markets	 1,621,784	 -	 -	 1,621,784
 Total	 <u>\$ 12,176,006</u>	 <u>\$ 20,163</u>	 <u>\$ -</u>	 <u>\$ 12,196,169</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, 2021:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Investments				
Equities	\$ 7,522,130	\$ -	\$ -	\$ 7,522,130
Fixed income	2,532,076	-	-	2,532,076
Mutual funds	292,456	-	-	292,456
Tangible assets (commodities)	93,094	-	-	93,094
Certificates of deposit	-	13,971	-	13,971
 Total investments	 10,439,756	 13,971	 -	 10,453,727
 Money markets	 971,542	 -	 -	 971,542
 Total	 <u>\$ 11,411,298</u>	 <u>\$ 13,971</u>	 <u>\$ -</u>	 <u>\$ 11,425,269</u>

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Notes to Consolidated Financial Statements

Note 6. Accounts Receivable

Accounts receivable at December 31, 2022, 2021, and 2020 consist of the following:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Member dues	\$ 17,089	\$ 18,295	\$ 23,697
Construction accounts receivable	-	-	1,178,664
Other	<u>879,314</u>	<u>990,875</u>	<u>336,268</u>
Total accounts receivable	<u>\$ 896,403</u>	<u>\$ 1,009,170</u>	<u>\$ 1,538,629</u>

Note 7. Pledges Receivable

Pledges receivable at December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Life members	\$ 5,700	\$ 14,300
Employees pledge, aircraft restoration, and national airbase	151,916	111,812
Aircraft sponsorship	22,047	22,719
Discount to present value	<u>(12,564)</u>	<u>(5,628)</u>
Total pledges receivable	<u>\$ 167,099</u>	<u>\$ 143,203</u>

Multi-year pledges at December 31, 2022 consist of the following:

<u>Year Ending December 31,</u>	
2023	\$ 93,467
2024	47,648
2025	<u>25,984</u>
Total	<u>\$ 167,099</u>

Discount rates of 4.90% and 3.25% as of December 31, 2022 and 2021, respectively, were applied to pledges. There was no allowance for uncollectible pledges recorded as of December 31, 2022 and 2021.

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Notes to Consolidated Financial Statements

Note 8. Property and Equipment

A summary of property and equipment and the related accumulated depreciation at December 31, 2022 and 2021 follows:

	2022	2021
Buildings and leasehold Improvements	\$ 24,324,305	\$ 23,486,503
Furniture, fixtures, and equipment	1,460,279	1,233,000
Exhibits	4,693,534	4,272,304
Vehicles	351,351	286,921
Construction in progress	49,150	257,552
Aircraft property	-	400,000
Leased property	-	1,762,125
Land	110,000	110,000
Less accumulated depreciation	(12,742,187)	(12,160,295)
Total	\$ 18,246,432	\$ 19,648,110
Depreciation expense for the year ended December 31,	\$ 1,152,517	\$ 966,857

Note 9. Notes Payable

New Market Tax Credit Notes Payable

In January of 2021, the Group entered into a New Markets Tax Credit transaction detailed in Note 18. As part of that transaction, the DEA has four 30-year long-term notes payable outstanding at December 31, 2022, totaling \$11,176,135 with PNC Community Development Fund and People Fund New Market Tax Credit, LLC. Offsetting the notes payable are unamortized capitalized financing costs \$689,855 at December 31, 2022. A total of \$45,990 in amortization of capitalized financing costs for the year ended December 31, 2022, was recorded as interest expense in the accompanying consolidated statements of activities. All notes bear interest-only through December 2050 at a fixed interest rate of 1.0%. The notes mature on December 31, 2050.

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Notes to Consolidated Financial Statements

Following is a summary of notes payable for the Units at December 31, 2022 and 2021:

	2022	2021
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.	\$ 49,370	\$ 63,183
Note payable due in monthly installments of \$4,905 including interest at 3.70%, due on April 7, 2023, secured by a hangar.	19,186	76,164
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.	104,769	119,212
Note payable due in monthly installments of \$612 including interest at 6.00%; matures November, 1 2033; collateralized by a hangar.	58,789	62,472
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.	10,846	20,278
Unsecured notes payable to various individuals due in monthly installments ranging from \$100 to \$500 including interest ranging from 0% to 5% payable due on December 30, 2027.	14,000	-
Total	\$ 256,960	\$ 341,309

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

Year Ending December 31,	
2023	\$ 59,297
2024	36,189
2025	34,937
2026	35,770
2027	34,082
Thereafter	56,685
Total	\$ 256,960

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, 2022 and 2021.

PPP Loan

On January 29, 2021, the Group received a loan in the amount of \$541,000 under the second round of the Payroll Protection Program (PPP 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.

It was determined that the Group had acted in compliance with the program and subsequently received forgiveness of the PPP Loan 2 on July 30, 2021. 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, 2021.

Note 10. 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 line of credit was paid in full on October 22, 2021.

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 \$800,000 and \$750,000 at December 31, 2022 and 2021, respectively.

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Notes to Consolidated Financial Statements

Note 11. Leases

CAF has entered into numerous non-cancelable operating leases for real and personal property and equipment. These leases expire at various dates through 2054 and provide for renewal options, which the Company has evaluated whether it is reasonably certain to renew. In the normal course of business, it is expected that these leases will be renewed or replaced by leases on other properties.

The Group determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the Group's consolidated statements of financial position. Finance leases are included in property and equipment, [other current liabilities, and other long-term liabilities] on our [consolidated] balance sheets. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Group uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

In evaluating contracts to determine if they qualify as a lease, the Group considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

None of the Group's lease agreements contain contingent rental payments, material residual value guarantees or material restrictive covenants. The depreciable life of related leasehold improvements is based on the shorter of the useful life or the lease term. The Group has no finance leases, no sublease agreements, and no lease agreements in which it is named as a lessor. The Group performs interim reviews of its long-lived assets for impairment when evidence exists that the carrying value of an asset group, including a lease asset, may not be recoverable, and the Group did not recognize an impairment expense associated with operating lease assets during the year ended December 31, 2022.

The Group cannot readily determine the rate implicit in a lease, so it discounts lease payments using its incremental borrowing rate based on information available as of the measurement date. The incremental borrowing rate is the rate of interest that the Group would pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term in a similar economic environment. For leases with renewal and termination options, the Group has made an accounting policy election to estimate the borrowing rate on debt with a fixed term that mirrors the renewal and termination options, respectively, in the lease rather than the lease term. Determining an incremental borrowing rate requires significant judgment. Subsequent to the recognition of its operating lease ROU assets and lease liabilities, the Group recognizes lease expense related to its operating leases on a straight-line basis over the lease term.

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Notes to Consolidated Financial Statements

The components of lease expense, cash flow information, and other information for the year-ended December 31, 2022 were as follows:

Lease cost	
Finance lease cost:	
Amortization of right-of-use assets	\$ 81,352
Interest of lease liabilities	59,120
Operating lease cost	406,083
Variable and short-term lease cost	<u>438,175</u>
Total lease cost	<u><u>\$ 984,730</u></u>
Other information	
Right-of-use assets obtained in exchange for new finance lease liabilities	<u><u>\$ 57,290</u></u>
Weighted-average remaining lease term - finance leases (in years)	31.1
Weighted-average remaining lease term - operating leases (in years)	7.2
Weighted-average discount rate - finance leases	2.10%
Weighted-average discount rate - operating leases	1.82%

Future minimum lease payments under non-cancellable leases as of December 31, 2022 were as follows:

Year Ending December 31,	Operating Leases	Finance Leases	Total
2023	\$ 420,858	\$ 144,550	\$ 565,408
2024	372,350	142,462	514,812
2025	364,739	135,115	499,854
2026	249,631	132,645	382,276
2027	196,606	125,126	321,732
Thereafter	2,059,214	3,266,892	5,326,106
Less imputed interest	<u>(560,851)</u>	<u>(990,227)</u>	<u>(1,551,078)</u>
Total	<u><u>\$ 3,102,547</u></u>	<u><u>\$ 2,956,563</u></u>	<u><u>\$ 6,059,110</u></u>

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Notes to Consolidated Financial Statements

Prior Disclosures under ASC-840

Future minimum lease payments under non-cancelable operating leases as of December 31, 2021, are as follows:

Year Ending December 31,		
2022	\$	351,890
2023		253,356
2024		237,489
2025		196,861
2026		183,823
2027 and thereafter		3,909,377
Total	\$	5,132,796

Note 12. Net Assets

Net asset classifications and balances at December 31, 2022 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, 2021	Increase (Decrease) in Net Assets	Balances December 31, 2022
With donor restrictions			
AAHF - Aircraft fund	\$ 2,800,970	\$ (12,845)	\$ 2,788,125
AAHF - Endowment earnings	557,133	(138,104)	419,029
AAHF - Endowment fund	5,753,565	1,924,833	7,678,398
AAHF - Headquarters	567,480	-	567,480
AAHM - Building and museum fund	220,830	(106,777)	114,053
AAHM - Education	298,936	225	299,161
AAHM - Save the Girls	799	-	799
CAF Headquarters	1,221,893	73,563	1,295,456
Units - AAHF Arizona Foundation			
General operation endowment	140,013	179,116	319,129
Units - CAF Missouri Wing/USO			
General operation endowment	794,802	(29,926)	764,876
Total with donor restriction	12,356,421	1,890,085	14,246,506
Without donor restrictions			
Undesignated	26,374,066	(2,261,441)	24,112,625
Designated			
AAHF - Annuity Fund	9,002	(9,002)	-
AAHF - Endowment fund	94,549	-	94,549
AAHF - Life member fund	356,367	114,231	470,598
Total without donor restriction	26,833,984	(2,156,212)	24,677,772
Total net assets	\$ 39,190,405	\$ (266,127)	\$ 38,924,278

American Airpower Heritage Group

Notes to Consolidated Financial Statements

Net asset classifications and balances at **December 31, 2021** are shown on the consolidated statement of financial position. This schedule provides additional classification detail.

	Balances December 31, 2020	Increase (Decrease) in Net Assets	Balances December 31, 2021
With donor restrictions			
AAHF - Aircraft fund	\$ 2,183,785	\$ 617,185	\$ 2,800,970
AAHF - Endowment earnings	515,175	41,958	557,133
AAHF - Endowment fund	5,706,148	47,417	5,753,565
AAHF - Headquarters	567,480	-	567,480
AAHM - Building and museum fund	5,516,763	(5,295,933)	220,830
AAHM - Education	386,690	(87,754)	298,936
AAHM - Endowment fund	938	(938)	-
AAHM - Save the Girls	799	-	799
CAF Headquarters	1,359,162	(137,269)	1,221,893
Units - AAHF Arizona Foundation			
General operation endowment	149,560	(9,547)	140,013
Units - CAF Missouri Wing/USO			
General operation endowment	717,106	77,696	794,802
	<u>17,103,606</u>	<u>(4,747,185)</u>	<u>12,356,421</u>
Without donor restrictions			
Undesignated	15,566,943	10,807,123	26,374,066
Designated			
AAHF - Annuity Fund	8,694	308	9,002
AAHF - Endowment fund	94,549	-	94,549
AAHF - Life member fund	220,120	136,247	356,367
	<u>15,890,306</u>	<u>10,943,678</u>	<u>26,833,984</u>
Total net assets	<u>\$ 32,993,912</u>	<u>\$ 6,196,493</u>	<u>\$ 39,190,405</u>

Note 13. 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 AAHF 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.

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Notes to Consolidated Financial Statements

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 6% market value distribution of income from the endowments.

The CAF General Staff and the AAHM Board requested a 5.5% and 6.0% market value distribution of income from their respective endowment funds in 2022 and 2021, respectively.

Endowment composition at December 31, 2022 is as follows:

	Without Donor restriction Quasi- Endowments	With Donor Restriction Endowments
	<u> </u>	<u> </u>
Endowment net assets, beginning of year	\$ 459,918	\$ 7,234,610
Interest and dividends	(51,743)	(119,109)
	<u>408,175</u>	<u>7,115,501</u>
Total investment	408,175	7,115,501
Contribution	179,506	2,217,778
Appropriation of endowment assets for expenditure	(19,557)	(133,405)
	<u> </u>	<u> </u>
Endowment net assets, end of year	<u>\$ 568,124</u>	<u>\$ 9,199,874</u>

American Airpower Heritage Group

Notes to Consolidated Financial Statements

Endowment composition at December 31, 2021 is as follows:

	Without Donor restriction Quasi- Endowments	With Donor Restriction Endowments
Endowment net assets, beginning of year	\$ 323,363	\$ 7,088,933
Interest and dividends	30,540	90,139
Total investment	353,903	7,179,072
Contribution	116,146	69,648
Appropriation of endowment assets for expenditure	(10,131)	(14,110)
Endowment net assets, end of year	\$ 459,918	\$ 7,234,610

Note 14. In-Kind Donations

The Group recognized contributed nonfinancial assets and services received during the year, which consisted of the following:

	Years ended December 31,	
	2022	2021
Advertising	\$ 110,542	\$ 119,375
Flight hours	980,391	986,963
Mechanic hours	392,621	395,253
Other	17,178	38,429
	\$ 1,500,732	\$ 1,540,020

Contributed nonfinancial services 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 \$1,390,190 and \$1,420,645 for the years ended December 31, 2022 and 2021, respectively, and were recorded as both donations and also expensed to costs and expenses in the consolidated financial statements.

Contributed nonfinancial assets are valued at the estimated fair values that would be received for selling similar products in the U.S. Management determined that the total contributed nonfinancial assets were \$110,542 and \$119,375 for the years ended December 31, 2022 and 2021.

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.

American Airpower Heritage Group

Notes to Consolidated Financial Statements

Note 15. Intercompany 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 16. 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 \$73,041 and \$61,418 were made to the grant program by members for multiple restoration projects for the years ended December 31, 2022 and 2021, respectively.

The Group sold five aircraft in 2022. The Group purchased five aircraft in 2022 and three aircraft in 2021.

The Group received three donated planes in 2022 and two donated planes in 2021 to be held in its collection. The planes were not capitalized in accordance with the Group's adopted accounting policies.

Note 17. 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 entity (CDE) through a qualified low-income community investment (QLICI) loan, 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 \$689,855 net of accumulated amortization of \$45,990 and \$22,995 at December 31, 2022 and 2021, respectively. These loan costs will be recognized over the life of the loans.

American Airpower Heritage Group

Notes to Consolidated Financial Statements

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.

Supplemental Information



Independent Auditor's Report on Supplemental Information

To the General Staff of
American Airpower Heritage Group

We have audited the consolidated financial statements of American Airpower Heritage Group as of and for the year ended December 31, 2022, and have issued our report thereon dated June 28, 2023, 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.

Dallas, Texas
June 28, 2023

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American Airpower Heritage Group

Consolidating Statement of Financial Position

December 31, 2022

(With Summarized Comparative Consolidated Totals for December 31, 2021)

ASSETS	CAF-HQ	CAF-Units and Supporting Foundations	AAHF	AAHM
Cash and cash equivalents	\$ 1,438,297	\$ 9,433,075	\$ 1,032,484	\$ 336,413
Accounts receivable	212,115	537,626	135,463	(3,516)
Pledges receivable, net	90,140	-	27,747	41,632
Inventories	351,978	711,931	-	16,904
Prepaid expenses	109,601	663,006	-	8,580
Investments	-	2,452,603	8,121,782	-
Intragroup receivables (net)	(605,221)	209,304	621,311	(6,517,355)
Intragroup notes receivable	142,562	-	1,370,131	-
Property and equipment (net of accumulated depreciation)	150,544	8,020,793	-	44,150
Intangible assets (net of accumulated amortization)	6,724	5,750	-	-
Note receivable	9,314,400	-	-	-
Right-of-use assets - finance, net	2,310,348	-	-	-
Right-of-use assets - operating, net	-	3,079,451	-	-
Other assets	-	143,732	76,809	-
TOTAL ASSETS	\$ 13,521,488	\$ 25,257,271	\$ 11,385,727	\$ (6,073,192)
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 709,308	\$ 371,581	\$ 87,212	\$ -
Accrued liabilities	211,172	21,417	-	-
Lines of credit	-	-	-	-
Lease liability - finance	2,952,401	-	-	-
Lease liability - operating	-	3,102,547	-	-
Deferred revenue	-	631,887	-	-
Intragroup payables (net)	244,255	818,523	12,844	105,875
Intragroup notes payable	-	1,453,719	58,974	-
Notes payable	-	256,960	-	-
Total liabilities	4,117,136	6,656,634	159,030	105,875
NET ASSETS				
Without donor restriction	8,108,896	17,516,632	(226,335)	(6,593,080)
With donor restriction	1,295,456	1,084,005	11,453,032	414,013
Total net assets	9,404,352	18,600,637	11,226,697	(6,179,067)
TOTAL LIABILITIES AND NET ASSETS	\$ 13,521,488	\$ 25,257,271	\$ 11,385,727	\$ (6,073,192)

<u>DEA Education Center</u>	<u>AAHFM</u>	<u>Eliminating Entries</u>	<u>Consolidated Totals 2022</u>	<u>Consolidated Totals 2021</u>
\$ 508,779	\$ 579	\$ -	\$ 12,749,627	\$ 13,273,642
14,715	-	-	896,403	1,009,170
7,580	-	-	167,099	143,203
16,490	-	-	1,097,303	766,195
71,147	-	-	852,334	478,100
-	-	-	10,574,385	10,453,727
7,802,364	-	(1,510,403)	-	-
-	-	(1,512,693)	-	-
10,030,945	-	-	18,246,432	19,648,110
-	-	-	12,474	17,235
-	-	-	9,314,400	9,314,400
-	-	-	2,310,348	-
-	-	-	3,079,451	-
6,568	-	-	227,109	179,741
<u>\$ 18,458,588</u>	<u>\$ 579</u>	<u>\$ (3,023,096)</u>	<u>\$ 59,527,365</u>	<u>\$ 55,283,523</u>
\$ 74,279	\$ -	\$ -	\$ 1,242,380	\$ 994,080
19,039	-	-	251,628	612,269
800,000	-	-	800,000	750,000
4,162	-	-	2,956,563	1,762,125
-	-	-	3,102,547	-
35,987	-	-	667,874	331,195
328,906	-	(1,510,403)	-	-
-	-	(1,512,693)	-	-
11,176,135	149,000	-	11,582,095	11,643,449
12,438,508	149,000	(3,023,096)	20,603,087	16,093,118
6,020,080	(148,421)	-	24,677,772	26,833,984
-	-	-	14,246,506	12,356,421
6,020,080	(148,421)	-	38,924,278	39,190,405
<u>\$ 18,458,588</u>	<u>\$ 579</u>	<u>\$ (3,023,096)</u>	<u>\$ 59,527,365</u>	<u>\$ 55,283,523</u>

American Airpower Heritage Group

Consolidating Statement of Activities

Year Ended December 31, 2022

(With Summarized Comparative Consolidated Totals for December 31, 2021)

	CAF-HQ	CAF-Units and Supporting Foundations	AAHF	AAHM
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Departmental revenues	\$ 560,863	\$ 12,259,345	\$ -	\$ -
Donations:				
General donations	4,126,756	3,996,521	-	-
In-kind donations	110,542	1,373,012	17,178	-
Memberships	1,408,342	196,848	179,506	29,625
Donations from affiliates	1,030,919	840,865	(60,134)	64,600
Investment (loss) income, net	129,283	(246,163)	(1,041,520)	-
Gain on disposal of assets	349,600	34,166	-	-
Grant or state fund revenue	22,680	140,680	-	-
Insurance recovery	950,000	57,092	-	-
Other	14,314	40,118	1,264	-
Total unrestricted revenues and gains	8,703,299	18,692,484	(903,706)	94,225
Net assets released from restrictions through satisfaction of program requirements	386,278	5,306	1,505,973	110,227
Total revenues, gains and other support without donor restriction	9,089,577	18,697,790	602,267	204,452
Education	(1,277,377)	(17,488,062)	(1,465,751)	(192,267)
Management and general	(2,624,776)	-	-	-
Fundraising	(4,413,837)	(1,359,411)	(454,181)	-
Total costs and expenses	(8,315,990)	(18,847,473)	(1,919,932)	(192,267)
(Decrease) increase in net assets without donor restrictions	773,587	(149,683)	(1,317,665)	12,185
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS				
Donations:				
General donations	234,689	267,150	1,253,554	3,680
Donation from affiliates	-	-	2,159,055	-
Other (loss) income	10,000	-	(136,307)	-
Investment income (loss), net	-	(122,659)	3,555	-
Gain on disposal of assets	215,152	-	-	-
Net assets released from restrictions	(386,278)	(5,306)	(1,505,973)	(110,227)
Increase (decrease) in net assets with donor restrictions	73,563	139,185	1,773,884	(106,547)
CHANGE IN NET ASSETS	847,150	(10,498)	456,219	(94,362)
NET ASSETS (DEFICIT), beginning of year	8,557,202	18,611,135	10,770,478	(6,084,705)
NET ASSETS (DEFICIT), end of year	\$ 9,404,352	\$ 18,600,637	\$ 11,226,697	\$ (6,179,067)

DEA Education Center	AAHFM	Eliminating Entries	Consolidated Totals 2022	Consolidated Totals 2021
\$ 223,789	\$ -	\$ -	\$ 13,043,997	\$ 12,023,800
446,368	-	-	8,569,645	8,306,844
-	-	-	1,500,732	1,540,020
1,550	-	-	1,815,871	1,680,276
179,307	-	(2,055,557)	-	-
(80,260)	-	-	(1,238,660)	1,240,451
-	-	-	383,766	85,859
-	-	-	163,360	633,833
-	-	-	1,007,092	229,523
-	-	-	55,696	46,327
770,754	-	(2,055,557)	25,301,499	25,786,933
1,800,000	-	(2,169,055)	1,638,729	9,518,004
2,570,754	-	(4,224,612)	26,940,228	35,304,937
(3,588,823)	-	3,743,366	(20,268,914)	(16,119,926)
-	-	62,951	(2,561,825)	(2,612,807)
(446,567)	-	408,295	(6,265,701)	(5,628,526)
(4,035,390)	-	4,214,612	(29,096,440)	(24,361,259)
(1,464,636)	-	(10,000)	(2,156,212)	10,943,678
1,800,000	-	-	3,559,073	4,505,926
-	-	(2,159,055)	-	-
-	-	-	(126,307)	174,754
-	-	-	(119,104)	90,139
-	-	-	215,152	-
(1,800,000)	-	2,169,055	(1,638,729)	(9,518,004)
-	-	10,000	1,890,085	(4,747,185)
(1,464,636)	-	-	(266,127)	6,196,493
7,484,716	(148,421)	-	39,190,405	32,993,912
\$ 6,020,080	\$ (148,421)	\$ -	\$ 38,924,278	\$ 39,190,405

American Airpower Heritage Group

Consolidating Statement of Cash Flows

Year Ended December 31, 2022

(With Summarized Comparative Consolidated Totals for December 31, 2021)

	CAF-HQ	CAF-Units and Supporting Foundations	AAHF
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 847,150	\$ (10,498)	\$ 456,219
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities			
Depreciation	137,790	459,218	-
Amortization	81,677	-	-
Gain on sale of property and equipment	(564,752)	(34,166)	-
Unrealized gain (loss) from investments	-	439,313	1,320,229
Reduction in ROU assets	-	348,432	-
Changes in operating assets and liabilities			
Accounts receivable (net)	(53,136)	(392,928)	(118,481)
Pledges receivable	(87,358)	-	9,272
Inventories	(66,956)	(257,294)	-
Prepaid expenses	99,933	(419,675)	-
Intragroup receivable (net)	(577,943)	(76,824)	(164,002)
Intangible assets	-	4,436	-
Other assets	-	(37,250)	(3,550)
Accounts payable	440,118	(25,363)	85,336
Accrued liabilities	(27,242)	(153)	-
Deferred revenue	-	300,692	-
Lease liabilities	-	(325,336)	-
Intragroup payable (net)	49,829	305,850	67,125
Total adjustments	<u>(568,040)</u>	<u>288,952</u>	<u>1,195,929</u>
Net cash provided by (used in) operating activities	279,110	278,454	1,652,148
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	(99,461)	(304,252)	-
Issuance of notes receivable	-	-	-
Disposal of property and equipment	572,463	-	-
Purchase of investments	-	(334,028)	(2,508,123)
Sale of investments	-	121,751	840,200
Net cash provided by (used in) investing activities	473,002	(516,529)	(1,667,923)
CASH FLOWS FROM FINANCING ACTIVITIES			
Reduction in principal of long-term debt	-	(84,349)	-
Payments on finance lease liabilities	(137,030)	-	-
Proceeds from long-term debt borrowings	-	-	-
Payment of debt issuance costs	-	-	-
Net proceeds (payments) on line of credit	-	-	-
Net cash provided by (used in) financing activities	<u>(137,030)</u>	<u>(84,349)</u>	<u>-</u>
Net change in cash and cash equivalents	615,082	(322,424)	(15,775)
CASH AND CASH EQUIVALENTS, beginning of year	823,215	9,755,499	1,048,259
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,438,297</u>	<u>\$ 9,433,075</u>	<u>\$ 1,032,484</u>
CASH PAID DURING YEAR FOR INTEREST	<u>\$ 60,794</u>	<u>\$ 86,851</u>	<u>\$ 8,667</u>

AAHM	DEA Education Center	AAHFM	Eliminating Entries	Consolidated Totals 2022	Consolidated Totals 2021
\$ (94,362)	\$ (1,464,636)	\$ -	\$ -	\$ (266,127)	\$ 6,196,493
-	555,509	-	-	1,152,517	966,857
-	-	-	-	81,677	28,649
-	-	-	-	(598,918)	(85,859)
-	-	-	-	1,759,542	(950,587)
-	-	-	-	348,432	-
3,616	53,101	-	-	(507,828)	1,150,054
61,770	(7,580)	-	-	(23,896)	587,888
-	(6,858)	-	-	(331,108)	3,444
(168)	(54,324)	-	-	(374,234)	28,053
(18,994)	34,417	-	-	(803,346)	1,486,719
-	-	-	-	4,436	-
-	(6,568)	-	-	(47,368)	10,212
(59,997)	(191,794)	-	-	248,300	(1,107,311)
-	19,039	-	-	(8,356)	(59,899)
-	35,987	-	-	336,679	(24,239)
-	4,162	-	-	(321,174)	-
105,875	274,667	-	-	803,346	(1,486,719)
92,102	709,758	-	-	1,718,701	547,262
(2,260)	(754,878)	-	-	1,452,574	6,743,755
(44,150)	(72,605)	-	-	(520,468)	(2,480,663)
-	-	-	-	-	(9,314,400)
-	-	-	-	572,463	72,262
-	-	-	-	(2,842,151)	(601,198)
-	-	-	-	961,951	1,254,594
(44,150)	(72,605)	-	-	(1,828,205)	(11,069,405)
-	-	-	-	(84,349)	(3,297,598)
-	-	-	-	(137,030)	-
-	22,995	-	-	22,995	11,820,000
-	-	-	-	-	(689,855)
-	50,000	-	-	50,000	900
-	72,995	-	-	(148,384)	7,833,447
(46,410)	(754,488)	-	-	(524,015)	3,507,797
382,823	1,263,267	579	-	13,273,642	9,765,845
\$ 336,413	\$ 508,779	\$ 579	\$ -	\$ 12,749,627	\$ 13,273,642
\$ -	\$ -	\$ -	\$ -	\$ 156,312	\$ 153,717

American Airpower Heritage Group

Consolidating Schedule of Departmental Revenues

Year Ended December 31, 2022

(With Summarized Comparative Consolidated Totals for December 31, 2021)

Departmental Revenue	CAF- HQ	CAF-Units and Supporting Foundations	AAHF	AAHM	DEA Education Center	Eliminating Entries	Consolidated Totals 2022	Consolidated Totals 2021
Air show	\$ 303,701	\$ 9,452,109	\$ -	\$ -	\$ -	\$ -	\$ 9,755,810	\$ 9,177,884
Operating	137,051	1,942,469	-	-	100,805	-	2,180,325	1,739,895
Sales	71,445	-	-	-	1,123	-	72,568	63,190
Special events	48,666	864,767	-	-	121,861	-	1,035,294	1,042,831
	<u>\$ 560,863</u>	<u>\$ 12,259,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,789</u>	<u>\$ -</u>	<u>\$ 13,043,997</u>	<u>\$ 12,023,800</u>

American Airpower Heritage Group
 Consolidating Schedule of Costs and Expenses
 Year Ended December 31, 2022

(With Summarized Comparative Consolidated Totals for December 31, 2021)

COST AND EXPENSES	CAF Units and Supporting			
	CAF HQ	Foundations	AAHF	AAHM
Advertising and promotion	\$ 116,792	\$ 334,374	\$ -	\$ -
Aircraft maintenance	-	3,917,241	872,216	-
Air show expense	262,485	1,363,843	-	-
Amortization	325	81,352	-	-
Bad debt	318	450	-	-
Contract services	744,874	757,858	-	-
Cost of merchandise sold	75,926	1,369,099	-	-
Depreciation	137,790	459,218	-	-
Designated expenses	-	-	533	-
Donations to affiliates	62,951	1,250,375	910,329	177,507
Dues and subscriptions	37,805	73,414	-	-
Entertainment	16,300	5,146	-	-
Equipment rental	6,363	177,498	-	-
Exhibits expense	-	328,253	-	-
Fuel and oil	2,904	1,898,588	-	-
Insurance	210,714	1,583,795	-	14,540
Interest	60,794	87,597	8,667	-
Miscellaneous and other	154,793	242,832	47,819	-
Operating expenses	77,708	1,547,579	-	-
Other expense	334,549	-	44,964	-
Payroll and payroll related expenses	2,808,687	403,339	-	-
Printing and production	1,481,179	114,370	-	-
Professional fees	110,470	16,377	13,866	-
Rent	17,160	607,976	-	-
Repairs and maintenance	27,243	324,110	15,217	-
Shipping and freight	805,164	141,939	-	-
Special events	141,952	571,470	-	-
Supplies	270,706	209,193	6,321	220
Taxes and licenses	125,649	-	-	-
Telephone and utilities	47,981	333,235	-	-
Transportation expense	1,916	-	-	-
Travel and meetings	174,492	646,952	-	-
TOTAL COSTS AND EXPENSES	\$ 8,315,990	\$ 18,847,473	\$ 1,919,932	\$ 192,267

DEA Education Center	AAHFM	Eliminating Entries	2022	2021
\$ 5,981	\$ -	\$ -	\$ 457,147	\$ 514,910
-	-	-	4,789,457	3,917,219
-	-	-	1,626,328	1,526,294
-	-	-	81,677	28,649
-	-	-	768	57,452
125,275	-	-	1,628,007	946,992
837	-	-	1,445,862	1,016,860
555,509	-	-	1,152,517	966,857
-	-	-	533	3,209
1,813,450	-	(4,214,612)	-	-
1,649	-	-	112,868	99,404
2,267	-	-	23,713	49,543
(258)	-	-	183,603	159,713
18,369	-	-	346,622	96,846
46	-	-	1,901,538	1,353,451
44,327	-	-	1,853,376	1,557,688
159,422	-	-	316,480	373,869
(614)	-	-	444,830	384,312
60,831	-	-	1,686,118	4,280,968
-	-	-	379,513	228,121
800,758	-	-	4,012,784	3,443,650
108,623	-	-	1,704,172	254,307
336	-	-	141,049	292,492
35,519	-	-	660,655	708,166
69,207	-	-	435,777	413,555
29,065	-	-	976,168	173,440
66,984	-	-	780,406	380,006
34,689	-	-	521,129	258,756
40,757	-	-	166,406	158,877
58,414	-	-	439,630	392,017
14	-	-	1,930	441
3,933	-	-	825,377	323,195
<u>\$ 4,035,390</u>	<u>\$ -</u>	<u>\$ (4,214,612)</u>	<u>\$ 29,096,440</u>	<u>\$ 24,361,259</u>

American Airpower Heritage Group
Consolidating Schedules of Intragroup Notes (Payable)/Receivable
December 31, 2022 and 2021

Intragroup notes (payable)/receivable for the year ended December 31, 2022 were:

	AAHF	CAF-Units and Supporting Foundations	HQ
Unsecured note payable to an intergroup party, due December 31, 2027.	\$ 923,509	\$ (923,509)	\$ -
Unsecured note payable to an intergroup party, due December 31, 2031.	93,552	(93,552)	-
Unsecured note payable to an intergroup party, due December 31, 2027.	90,000	(90,000)	-
Unsecured note payable to an intergroup party bearing interest at prime plus 1.75%, due June 21, 2031.	11,221	(11,221)	-
Unsecured note payable to an intergroup party bearing interest at prime plus 1.75%, due December 31, 2031.	86,610	(86,610)	-
Unsecured note payable to an intergroup party bearing interest at prime plus 1.75%, due December 31, 2031.	106,265	(106,265)	-
Unsecured note payable to an intergroup party bearing interest at 5.25%, due February 28, 2024	20,000	(20,000)	-
Unsecured note payable to an intergroup party bearing interest at 5%, due December 31, 2025	38,974	(38,974)	-
Unsecured note payable to an intergroup party bearing interest at prime plus 1.75%, due December 31, 2031.	-	(46,820)	46,820
Unsecured note payable to an intergroup party bearing interest at prime plus 1.75%, due March 31, 2032.	-	(80,567)	80,567
Unsecured note payable to an intergroup party bearing interest at 5.25%, due November 30, 2027.	-	(15,175)	15,175
Total	<u>\$ 1,370,131</u>	<u>\$ (1,512,693)</u>	<u>\$ 142,562</u>

American Airpower Heritage Group
 Consolidating Schedules of Intragroup Notes (Payable)/Receivable
 December 31, 2022 and 2021

Intragroup notes (payable)/receivable for the year ended December 31, 2021 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 1.75%, due December 31, 2031.	26,400	(26,400)	-
Unsecured note payable to an intergroup party bearing interest at prime plus 1.75%, due December 31, 2031.	40,000	(40,000)	-
Unsecured note payable to an intergroup party bearing interest at prime plus 1.75%, due December 31, 2031.	100,000	(100,000)	-
Unsecured note payable to an intergroup party bearing interest at prime plus 1.75%, due December 31, 2031.	-	(50,259)	50,259
Unsecured note payable to an intergroup party bearing interest at 5.0%, due August 1, 2022.	-	(8,463)	8,463
Unsecured note payable to an intergroup party bearing interest at 5.0%, due July 31, 2022.	-	(6,588)	6,588
Unsecured note payable to an intergroup party bearing interest at 5.0%, due April 1, 2022.	-	(3,229)	3,229
Total	<u>\$ 1,273,461</u>	<u>\$ (1,342,000)</u>	<u>\$ 68,539</u>

American Airpower Heritage Group

Consolidating Schedules of Intragroup Notes (Payable)/Receivable – Continued December 31, 2022 and 2021

Intragroup (payable)/receivable at December 31, 2022 was:

	Receivable	Payable
CAF-HQ	\$ (605,221)	\$ 244,255
CAF-Units and supporting foundations	209,304	818,523
AAHF	621,311	12,844
AAHM	(6,517,355)	105,875
DEA Education Center	7,802,364	328,906
	\$ 1,510,403	\$ 1,510,403

Intragroup (payable)/receivable at December 31, 2021 was:

	Receivable	Payable
CAF-HQ	\$ (1,109,141)	\$ 194,426
CAF-Units and supporting foundations	132,480	624,392
AAHF	553,979	4,693
AAHM	(6,536,349)	54,239
DEA Education Center	7,836,781	-
	\$ 877,750	\$ 877,750