

American Airpower Heritage Group

Consolidated Financial Report

December 31, 2021

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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, 2021 and 2020, 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, 2021 and 2020, 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.

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).

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.

Weaver and Tidwell, L.L.P.
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The General Staff of
American Airpower Heritage Group

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 30, 2022

American Airpower Heritage Group
Consolidated Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 13,273,642	\$ 9,765,845
Accounts receivable	388,575	1,538,629
Pledges receivable, net	143,203	731,091
Inventories	766,195	769,639
Prepaid expenses	478,100	506,153
Investments	10,453,727	10,156,536
Property and equipment (net of accumulated depreciation)	20,268,705	18,741,302
Intangible assets (net of accumulated amortization)	17,235	22,889
Note receivable	9,314,400	-
Other assets	179,741	189,953
	\$ 55,283,523	\$ 42,422,037
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 994,080	\$ 2,101,391
Accrued liabilities	612,269	672,168
Lines of credit	750,000	3,949,100
Capital lease liability	1,762,125	1,762,125
Deferred revenue	331,195	355,434
Notes payable	11,643,449	587,907
	16,093,118	9,428,125
Total liabilities		
NET ASSETS		
Without donor restrictions	26,833,984	15,890,306
With donor restrictions	12,356,421	17,103,606
	39,190,405	32,993,912
Total net assets		
TOTAL LIABILITIES AND NET ASSETS	\$ 55,283,523	\$ 42,422,037

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Departmental revenues	\$ 12,023,800	\$ 4,133,829
Donations	9,846,864	8,015,965
Memberships	1,680,276	1,178,266
Investment income, net	1,240,451	1,094,092
Gain (loss) on disposal of assets	85,859	34,242
Grant or state fund revenue	633,833	705,729
Other	275,850	36,978
	<u>25,786,933</u>	<u>15,199,101</u>
Total revenues and gains without donor restriction		
Net assets released from restrictions through satisfaction of program requirements	<u>9,518,004</u>	<u>2,240,118</u>
Total revenues, gains and other support without donor restrictions	35,304,937	17,439,219
Expenses		
Education	(16,119,926)	(11,277,634)
Management and general	(2,612,807)	(2,311,718)
Fundraising	(5,628,526)	(5,188,538)
	<u>(24,361,259)</u>	<u>(18,777,890)</u>
Total costs and expenses		
Increase (decrease) in net assets without donor restrictions	10,943,678	(1,338,671)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Donations	4,505,926	4,001,683
Gain on disposal of assets	-	50,000
Other	174,754	124,849
Investment income, net	90,139	95,199
Net assets released from restrictions	(9,518,004)	(2,240,118)
	<u>(4,747,185)</u>	<u>2,031,613</u>
Increase in net assets with donor restrictions		
CHANGE IN NET ASSETS	6,196,493	692,942
NET ASSETS, beginning of year	<u>32,993,912</u>	<u>32,300,970</u>
NET ASSETS, end of year	<u>\$ 39,190,405</u>	<u>\$ 32,993,912</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, 2021 and 2020

	2021				2020			
	Education	Management and General	Fundraising	Total	Education	Management and General	Fundraising	Total
Administration expenses	\$ 3,144,174	\$ 425,827	\$ 3,031,099	\$ 6,601,100	\$ 1,779,198	\$ 244,150	\$ 2,555,339	\$ 4,578,687
Aircraft maintenance	3,918,055	126,533	-	4,044,588	2,831,926	2,743	-	2,834,669
Airshow and event expenses	1,841,107	12,968	76,134	1,930,209	1,233,828	139,064	13,321	1,386,213
Contracted services	731,419	138,007	82,343	951,769	103,496	102,832	410,761	617,089
Cost of merchandise sold	981,618	-	35,242	1,016,860	457,368	-	19,093	476,461
Facilities and insurance	3,600,857	405,517	21,198	4,027,572	3,276,271	449,207	22,470	3,747,948
Operating expenses	270,003	45,140	1,393,274	1,708,417	262,876	122,827	1,357,751	1,743,454
Other expenses	326,890	69,078	129,808	525,776	204,688	(62,992)	96,517	238,213
Payroll and payroll related	1,305,803	1,389,737	859,428	3,554,968	1,127,983	1,313,887	713,286	3,155,156
TOTAL EXPENSES	\$ 16,119,926	\$ 2,612,807	\$ 5,628,526	\$ 24,361,259	\$ 11,277,634	\$ 2,311,718	\$ 5,188,538	\$ 18,777,890

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, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,196,493	\$ 692,942
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	966,857	820,000
Amortization	28,649	14,165
Gain on sale of property and equipment	(85,859)	(33,173)
Unrealized gain from investments	(950,587)	(1,047,111)
Change in operating assets and liabilities		
Accounts receivable	1,150,054	(1,217,656)
Pledges receivable	587,888	(563,378)
Inventories	3,444	42,453
Prepaid expenses	28,053	438,033
Other assets	10,212	62,273
Accounts payable	(1,107,311)	(183,261)
Accrued liabilities	(59,899)	268,206
Deferred revenue	(24,239)	(92,993)
	6,743,755	(799,500)
Net cash used in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,480,663)	(6,368,016)
Issuance of notes receivable	(9,314,400)	-
Disposal of property and equipment	72,262	49,621
Purchases of intangibles	-	(7,500)
Purchase of investments	(601,198)	(927,667)
Sale of investments	1,254,594	734,335
	(11,069,405)	(6,519,227)
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Reduction in principal of long-term debt	(3,297,598)	(98,001)
Proceeds from long-term debt borrowings	11,820,000	3,200,000
Payment of debt issuance costs	(689,855)	-
Net proceeds (payments) from line of credit	900	(250,900)
	7,833,447	2,851,099
Net cash provided by financing activities		
Net change in cash and cash equivalents	3,507,797	(4,467,628)
CASH AND CASH EQUIVALENTS, beginning of year	9,765,845	14,233,473
CASH AND CASH EQUIVALENTS, end of year	\$ 13,273,642	\$ 9,765,845
CASH PAID DURING YEAR FOR INTEREST	\$ 153,717	\$ 212,092

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 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.

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. Tippie 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 \$25,000 and \$80,000 were made in 2021 and 2020, 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 \$17,235 and \$22,889 at December 31, 2021 and 2020, respectively. Accumulated amortization was \$148,468 and \$142,814 at December 31, 2021 and 2020, 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 \$181,056 and \$188,372 as of December 31, 2021 and 2020 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 \$65,922 and \$56,510 of matching SRA funds for the years ended December 31, 2021 and 2020, 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

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.

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.

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.

American Airpower Heritage Group

Notes to Consolidated Financial Statements

Subsequent Events

The Group has evaluated subsequent events through June 30, 2022, 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:

	2021	2020
Cash and cash equivalents	\$ 13,273,642	\$ 9,765,845
Accounts receivable	388,575	1,538,629
Pledges receivable	143,203	731,091
Inventories	766,195	769,639
Investments	10,453,727	10,156,536
Total financial assets, year end	25,025,342	22,961,740
Less		
Restricted cash	-	(1,000,000)
Pledges receivable, long term	(57,331)	(179,831)
Net assets with donor restrictions	(12,356,421)	(17,103,606)
Total financial assets not available to be used within one year	(12,413,752)	(18,283,437)
Total financial assets available to meet general expenditures within one year	\$ 12,611,590	\$ 4,678,303

As of December 31, 2021 and 2020 the Group had availability on its lines of credit of \$1,750,000 and \$6,675,900, 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.

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.

American Airpower Heritage Group

Notes to Consolidated Financial Statements

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, 2021 and 2020, 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. The CAF achieved a milestone per the Agreement in 2019 and received a \$100,000 grant.

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.

American Airpower Heritage Group

Notes to Consolidated Financial Statements

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.

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			
	Level 1	Level 2	Level 3	Total
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
Cash deposits	13,971	-	-	13,971
Total investments	10,453,727	-	-	10,453,727
Money markets	1,465,236	-	-	1,465,236
Total	<u>\$ 11,918,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,918,963</u>

American Airpower Heritage Group

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
	<hr/>	<hr/>	<hr/>	<hr/>
Total investments	10,156,536	-	-	10,156,536
Money markets	402,346	-	-	402,346
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 10,558,882</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,558,882</u>

Note 7. Accounts Receivable

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

	2021	2020
Member dues	\$ 18,295	\$ 23,697
Construction accounts receivable	-	\$ 1,178,664
Other	370,280	336,268
	<hr/>	<hr/>
Total accounts receivable	<u>\$ 388,575</u>	<u>\$ 1,538,629</u>

Note 8. Pledges Receivable

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

	2021	2020
Life members	\$ 14,300	\$ 18,600
Empoyees pledge, aircraft restoration, and national airbase	111,812	719,598
Aircraft sponsorship	22,719	8,692
Discount to present value	(5,628)	(15,799)
	<hr/>	<hr/>
Total pledges receivable	<u>\$ 143,203</u>	<u>\$ 731,091</u>

American Airpower Heritage Group

Notes to Consolidated Financial Statements

Multi-year pledges at December 31, 2021 consist of the following:

Year Ending December 31,	
2022	\$ 85,872
2023	38,366
2024	18,897
2025	<u>68</u>
Total	<u>\$ 143,203</u>

Discount rates of 3.25% and 3.63% as of December 31, 2021 and 2020, respectively, were applied to pledges. There was no allowance for uncollectible pledges recorded as of December 31, 2021 and 2020.

Note 9. Property and Equipment

A summary of property and equipment and the related accumulated depreciation at December 31, 2021 and 2020 follows:

	2021	2020
Buildings	\$ 21,466,324	\$ 12,494,795
Leasehold improvements	2,219,545	1,891,695
Furniture, fixtures and equipment	1,233,000	881,273
Exhibits	4,693,533	4,063,231
Vehicles	286,921	286,921
Construction in progress	257,552	8,272,898
Aircraft property	400,000	400,000
Leased property	1,762,125	1,762,125
Land	110,000	110,000
Less accumulated depreciation	<u>(12,160,295)</u>	<u>(11,421,636)</u>
Total	<u>\$ 20,268,705</u>	<u>\$ 18,741,302</u>
Depreciation expense for the year ended December 31,	<u>\$ 966,857</u>	<u>\$ 820,000</u>

Note 10. 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, 2021 totaling \$11,820,000 with PNC Community Development Fund and People Fund New Market Tax Credit, LLC. Offsetting the notes payable are unamortized capitalized financing costs \$666,960 at December 31, 2021. A total of \$22,995 in amortization of capitalized financing costs for the year ended December 31, 2021 was recorded as interest expense in the accompanying consolidated statements of activities. The notes bear interest-only through December 2050 at a fixed interest rate of 1.0%. The notes mature on December 31, 2050.

American Airpower Heritage Group

Notes to Consolidated Financial Statements

Following is a summary of notes payable for the Units at December 31, 2021 and 2020:

	2021	2020
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.	\$ 63,183	\$ 78,625
Note payable due in monthly installments of \$4,905 including interest at 3.70%, due on April 7, 2023, secured by a hangar.	76,164	131,046
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.	119,212	133,662
Note payable due in monthly installments of \$612 including interest at 6.00%; matures November, 1 2033; collateralized by a hangar.	62,472	65,960
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.	20,278	29,614
Total	\$ 341,309	\$ 438,907

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

Year Ending December 31,		
2022	\$	94,098
2023		57,244
2024		32,139
2025		31,339
2026		32,120
2027 and thereafter		94,369
Total	\$	341,309

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.

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, 2021 and 2020.

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Notes to Consolidated Financial Statements

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.

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.

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.

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 2 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.

American Airpower Heritage Group

Notes to Consolidated Financial Statements

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. 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 \$750,000 and \$749,100 at December 31, 2021 and 2020, 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, 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		<u>3,909,377</u>
Total	\$	<u><u>5,132,796</u></u>

American Airpower Heritage Group

Notes to Consolidated Financial Statements

Note 13. Net Assets

Net asset classifications and balances at December 31, 2021 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, 2020	Increase (Decrease) in Net Assets	Balances December 31, 2021
With donor restrictions			
CAF Headquarters	\$ 1,359,162	\$ (137,269)	\$ 1,221,893
Units- AAHF Arizona Foundation	149,559	(9,547)	140,012
AAHF- Aircraft fund	2,183,785	617,185	2,800,970
AAHF- Endowment earnings	515,174	41,958	557,132
AAHF- Headquarters	567,480	-	567,480
AAHM- Save the Girls	797	-	797
AAHM- Building and Museum Fund	5,516,760	(5,295,933)	220,827
AAHM- Education	386,690	(87,754)	298,936
Units- CAF Missouri Wing/USO			
General operation endowment	717,112	77,696	794,808
AAHF- Endowment fund	5,706,149	47,417	5,753,566
AAHM- Endowment fund	938	(938)	-
Total with donor restriction	17,103,606	(4,747,185)	12,356,421
Without donor restrictions			
Undesignated	15,566,943	10,807,123	26,374,066
Designated			
AAHF - Endowment fund	94,549	-	94,549
AAHF - Life member fund	220,120	136,247	356,367
AAHF - Annuity Fund	8,694	308	9,002
Total without donor restriction	15,890,306	10,943,678	26,833,984
Total net assets	\$ 32,993,912	\$ 6,196,493	\$ 39,190,405

American Airpower Heritage Group

Notes to Consolidated Financial Statements

Net asset classifications and balances at December 31, 2020 are shown on the consolidated statement of financial position. This schedule provides additional classification detail.

	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
AAHM- Endowment fund	-	938	938
Total with donor restrictions	15,071,993	2,031,613	17,103,606
Without donor restrictions			
Undesignated	16,960,753	(1,393,810)	15,566,943
Designated			
AAHF- 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 with donor restrictions	17,228,977	(1,338,671)	15,890,306
Total net assets	\$ 32,300,970	\$ 692,942	\$ 32,993,912

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 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.

American Airpower Heritage Group

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 6% market value distributions of income from their respective endowment funds in 2021 and 2020, respectively.

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	\$ 6,573,758
Interest and dividends	30,540	90,139
Total investment	353,903	6,663,897
Contribution	116,146	38,599
Appropriation of endowment assets for expenditure	(10,131)	(14,110)
Endowment net assets, end of year	<u>\$ 459,918</u>	<u>\$ 6,688,386</u>

American Airpower Heritage Group

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

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 \$1,382,216 and \$841,448 for the years ended December 31, 2021 and 2020, 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.

Note 16. 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.

American Airpower Heritage Group

Notes to Consolidated Financial Statements

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 \$61,418 and \$55,584 were made to the grant program by members for multiple restoration projects for the years ended December 31, 2021 and 2020, respectively.

The Group sold no aircraft in 2021 nor in 2020. The Group purchased three aircraft in 2021 and one aircraft in 2020.

The Group received two donated planes in 2021 and one donated plane in 2020 to be held in its collection. The planes were not capitalized in accordance with the Group's adopted accounting policies.

Note 18. 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 \$689,855 net of accumulated amortization of \$22,995 at December 31, 2021. 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.

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, 2021, and have issued our report thereon dated June 30, 2022, 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 30, 2022

Weaver and Tidwell, L.L.P.
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American Airpower Heritage Group
 Consolidating Statement of Financial Position
 December 31, 2021

(With Summarized Comparative Consolidated Totals for December 31, 2020)

ASSETS	CAF-HQ	CAF-Units and Supporting Foundations	AAHF	AAHM
Cash and cash equivalents	\$ 823,215	\$ 9,755,499	\$ 1,048,259	\$ 382,823
Accounts receivable	158,979	144,698	16,982	100
Pledges receivable, net	2,782	-	37,019	103,402
Inventories	285,022	454,637	-	16,904
Prepaid expenses	209,534	243,331	-	8,412
Investments	-	2,679,639	7,774,088	-
Intragroup receivables (net)	(1,109,141)	132,480	553,979	(6,536,349)
Intragroup notes receivable	68,539	-	1,273,461	-
Property and equipment (net of accumulated depreciation)	1,613,263	8,141,593	-	-
Intangible assets (net of accumulated amortization)	7,049	10,186	-	-
Note receivable	9,314,400	-	-	-
Other assets	-	106,482	73,259	-
TOTAL ASSETS	\$ 11,373,642	\$ 21,668,545	\$ 10,777,047	\$ (6,024,708)
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 269,190	\$ 396,944	\$ 1,876	\$ 59,997
Accrued liabilities	590,699	21,570	-	-
Lines of credit	-	-	-	-
Capital lease liability	1,762,125	-	-	-
Deferred revenue	-	331,195	-	-
Intragroup payables (net)	194,426	624,392	4,693	-
Intragroup notes payable	-	1,342,000	-	-
Notes payable	-	341,309	-	-
Total liabilities	2,816,440	3,057,410	6,569	59,997
NET ASSETS				
Without donor restriction	7,335,309	17,676,315	1,091,330	(6,605,265)
With donor restriction	1,221,893	934,820	9,679,148	520,560
Total net assets	8,557,202	18,611,135	10,770,478	(6,084,705)
TOTAL LIABILITIES AND NET ASSETS	\$ 11,373,642	\$ 21,668,545	\$ 10,777,047	\$ (6,024,708)

<u>DEA Education Center</u>	<u>AAHFM</u>	<u>Eliminating Entries</u>	<u>Consolidated Totals 2021</u>	<u>Consolidated Totals 2020</u>
\$ 1,263,267	\$ 579	\$ -	\$ 13,273,642	\$ 9,765,845
67,816	-	-	388,575	1,538,629
-	-	-	143,203	731,091
9,632	-	-	766,195	769,639
16,823	-	-	478,100	506,153
-	-	-	10,453,727	10,156,536
7,836,781	-	(877,750)	-	-
-	-	(1,342,000)	-	-
10,513,849	-	-	20,268,705	18,741,302
-	-	-	17,235	22,889
-	-	-	9,314,400	-
-	-	-	179,741	189,953
<u>\$ 19,708,168</u>	<u>\$ 579</u>	<u>\$ (2,219,750)</u>	<u>\$ 55,283,523</u>	<u>\$ 42,422,037</u>
\$ 266,073	\$ -	\$ -	\$ 994,080	\$ 2,101,391
-	-	-	612,269	672,168
750,000	-	-	750,000	3,949,100
-	-	-	1,762,125	1,762,125
-	-	-	331,195	355,434
54,239	-	(877,750)	-	-
-	-	(1,342,000)	-	-
11,153,140	149,000	-	11,643,449	587,907
12,223,452	149,000	(2,219,750)	16,093,118	9,428,125
7,484,716	(148,421)	-	26,833,984	15,890,306
-	-	-	12,356,421	17,103,606
<u>7,484,716</u>	<u>(148,421)</u>	<u>-</u>	<u>39,190,405</u>	<u>32,993,912</u>
<u>\$ 19,708,168</u>	<u>\$ 579</u>	<u>\$ (2,219,750)</u>	<u>\$ 55,283,523</u>	<u>\$ 42,422,037</u>

American Airpower Heritage Group

Consolidating Statement of Activities

Year Ended December 31, 2021

(With Summarized Comparative Consolidated Totals for December 31, 2020)

	CAF-HQ	CAF-Units and Supporting Foundations	AAHF	AAHM
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Departmental revenues	\$ 729,487	\$ 11,167,500	\$ -	\$ -
Donations	4,308,662	5,382,257	(16,680)	-
Memberships	1,333,607	184,296	132,826	27,792
Donations from affiliates	983,040	978,633	-	17,300
Investment income (loss)	171,725	237,972	830,503	-
Gain (loss) on disposal of assets	8,000	77,859	-	-
Grant or state fund revenue	541,900	91,933	-	-
Other income (expense)	9,938	206,158	-	38,429
	8,086,359	18,326,608	946,649	83,521
Net assets released from restrictions through satisfaction of program requirements	206,804	14,110	1,065,025	8,745,690
	8,293,163	18,340,718	2,011,674	8,829,211
Education	(806,209)	(14,881,599)	(1,025,655)	(8,777,198)
Management and general	(2,830,552)	-	-	-
Fundraising	(3,832,647)	(1,381,991)	(479,953)	-
	(7,469,408)	(16,263,590)	(1,505,608)	(8,777,198)
Increase (decrease) in net assets without donor restrictions	823,755	2,077,128	506,066	52,013
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS				
Donations	69,535	(4,361)	1,328,749	3,112,003
Donation from affiliates	-	-	263,625	250,000
Gain (loss) on disposal of assets	-	-	-	-
Other	-	-	174,754	-
Investment income, net	-	85,682	4,457	-
Net assets released from restrictions	(206,804)	(14,110)	(1,065,025)	(8,745,690)
	(137,269)	67,211	706,560	(5,383,687)
CHANGE IN NET ASSETS	686,486	2,144,339	1,212,626	(5,331,674)
NET ASSETS (DEFICIT), beginning of year	7,870,716	16,466,796	9,557,852	(753,031)
NET ASSETS (DEFICIT), end of year	\$ 8,557,202	\$ 18,611,135	\$ 10,770,478	\$ (6,084,705)

DEA Education Center	AAHFM	Eliminating Entries	Consolidated Totals 2021	Consolidated Totals 2020
\$ 126,813	\$ -	\$ -	\$ 12,023,800	\$ 4,133,829
172,625	-	-	9,846,864	8,015,965
1,755	-	-	1,680,276	1,178,266
8,693,969	-	(10,672,942)	-	-
251	-	-	1,240,451	1,094,092
-	-	-	85,859	34,242
-	-	-	633,833	705,729
21,325	-	-	275,850	36,978
9,016,738	-	(10,672,942)	25,786,933	15,199,101
-	-	(513,625)	9,518,004	2,240,118
9,016,738	-	(11,186,567)	35,304,937	17,439,219
(1,181,654)	-	10,552,389	(16,119,926)	(11,277,634)
-	-	217,745	(2,612,807)	(2,311,718)
(350,368)	-	416,433	(5,628,526)	(5,188,538)
(1,532,022)	-	11,186,567	(24,361,259)	(18,777,890)
7,484,716	-	-	10,943,678	(1,338,671)
-	-	-	4,505,926	4,001,683
-	-	(513,625)	-	-
-	-	-	-	50,000
-	-	-	174,754	124,849
-	-	-	90,139	95,199
-	-	513,625	(9,518,004)	(2,240,118)
-	-	-	(4,747,185)	2,031,613
7,484,716	-	-	6,196,493	692,942
-	(148,421)	-	32,993,912	32,300,970
\$ 7,484,716	\$ (148,421)	\$ -	\$ 39,190,405	\$ 32,993,912

American Airpower Heritage Group

Consolidating Statement of Cash Flows

Year Ended December 31, 2021

(With Summarized Comparative Consolidated Totals for December 31, 2020)

	CAF-HQ	CAF-Units and Supporting Foundations	AAHF
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 686,486	\$ 2,144,339	\$ 1,212,626
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities			
Depreciation	253,691	456,962	-
Amortization	326	5,328	-
Gain on sale of property and equipment	(8,000)	(77,859)	-
Unrealized gain from investments	-	(192,041)	(758,546)
Changes in operating assets and liabilities			
Accounts receivable (net)	47,173	(16,326)	8,459
Pledges receivable	684	-	(9,726)
Inventories	16,609	(3,533)	-
Prepaid expenses	(8,127)	25,915	-
Intragroup receivable (net)	2,746,166	141,184	(100,199)
Other assets	-	14,668	(4,456)
Accounts payable	(1,397,863)	138,995	1,187
Accrued liabilities	(55,717)	(4,182)	-
Deferred revenue	-	(24,239)	-
Intragroup payable (net)	(124,011)	67,755	(49,189)
Net cash provided by (used in) operating activities	2,157,417	2,676,966	300,156
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	-	(245,603)	-
Donations (to) and from affiliates	7,818,152	-	-
Issuance of notes receivable	(9,314,400)	-	-
Disposal of property and equipment	-	72,262	-
Purchase of intangibles	-	-	-
Purchase of investments	-	(46,371)	(554,827)
Sale of investments	-	621,098	633,496
Net cash provided by (used in) investing activities	(1,496,248)	401,386	78,669
CASH FLOWS FROM FINANCING ACTIVITIES			
Reduction in principal of long-term debt	-	(97,598)	-
Proceeds from long-term debt borrowings	-	-	-
Payment of debt issuance costs	-	-	-
Net proceeds (payments) on line of credit	(749,100)	-	-
Net cash provided by (used in) financing activities	(749,100)	(97,598)	-
Net change in cash and cash equivalents	(87,931)	2,980,754	378,825
CASH AND CASH EQUIVALENTS, beginning of year	911,146	6,774,745	669,434
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 823,215</u>	<u>\$ 9,755,499</u>	<u>\$ 1,048,259</u>
CASH PAID DURING YEAR FOR INTEREST	<u>\$ 94,509</u>	<u>\$ 50,711</u>	<u>\$ 8,497</u>

AAHM	DEA Education Center	AAHFM	Eliminating Entries	Consolidated Totals 2021	Consolidated Totals 2020
\$ (5,331,674)	\$ 7,484,716	\$ -	\$ -	\$ 6,196,493	\$ 692,942
95,064	161,140	-	-	966,857	820,000
-	22,995	-	-	28,649	14,165
-	-	-	-	(85,859)	(33,173)
-	-	-	-	(950,587)	(1,047,111)
1,178,564	(67,816)	-	-	1,150,054	(1,217,656)
596,930	-	-	-	587,888	(563,378)
-	(9,632)	-	-	3,444	42,453
27,088	(16,823)	-	-	28,053	438,033
6,536,349	(7,836,781)	-	-	1,486,719	(395,002)
-	-	-	-	10,212	62,273
(115,703)	266,073	-	-	(1,107,311)	(183,261)
-	-	-	-	(59,899)	268,206
-	-	-	-	(24,239)	(92,993)
<u>(1,435,513)</u>	<u>54,239</u>	<u>-</u>	<u>-</u>	<u>(1,486,719)</u>	<u>395,002</u>
1,551,105	58,111	-	-	6,743,755	(799,500)
(2,761)	(2,232,299)	-	-	(2,480,663)	(6,368,016)
624,538	(8,442,690)	-	-	-	-
-	-	-	-	(9,314,400)	-
-	-	-	-	72,262	49,621
-	-	-	-	-	(7,500)
-	-	-	-	(601,198)	(927,667)
-	-	-	-	1,254,594	734,335
621,777	(10,674,989)	-	-	(11,069,405)	(6,519,227)
(3,200,000)	-	-	-	(3,297,598)	(98,001)
-	11,820,000	-	-	11,820,000	3,200,000
-	(689,855)	-	-	(689,855)	-
-	750,000	-	-	900	(250,900)
<u>(3,200,000)</u>	<u>11,880,145</u>	<u>-</u>	<u>-</u>	<u>7,833,447</u>	<u>2,851,099</u>
(1,027,118)	1,263,267	-	-	3,507,797	(4,467,628)
1,409,941	-	579	-	9,765,845	14,233,473
<u>\$ 382,823</u>	<u>\$ 1,263,267</u>	<u>\$ 579</u>	<u>\$ -</u>	<u>\$ 13,273,642</u>	<u>\$ 9,765,845</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,717</u>	<u>\$ 212,092</u>

American Airpower Heritage Group
 Consolidating Schedule of Departmental Revenues
 Year Ended December 31, 2021
 (With Summarized Comparative Consolidated Totals for December 31, 2020)

Departmental Revenue	CAF- HQ	CAF-Units and Supporting Foundations	AAHF	AAHM	DEA Education Center	Eliminating Entries	Consolidated Totals 2021	Consolidated Totals 2020
Air show	\$ 416,330	\$ 8,761,554	\$ -	\$ -	\$ -	\$ -	\$ 9,177,884	\$ 2,627,717
Operating	250,906	1,486,439	-	-	2,550	-	1,739,895	924,141
Sales	62,001	-	-	-	1,189	-	63,190	58,274
Special events	250	919,507	-	-	123,074	-	1,042,831	523,697
	<u>\$ 729,487</u>	<u>\$ 11,167,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,813</u>	<u>\$ -</u>	<u>\$ 12,023,800</u>	<u>\$ 4,133,829</u>

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

(With Summarized Comparative Consolidated Totals for December 31, 2020)

COST AND EXPENSES	CAF Units and Supporting			
	CAF HQ	Foundations	AAHF	AAHM
Advertising and promotion	\$ 156,331	\$ 345,355	\$ -	\$ -
Aircraft insurance and ANUAC	-	-	-	-
Aircraft maintenance	1,664	3,446,225	469,330	-
Air show expense	257,927	1,268,367	-	-
Amortization	326	5,328	-	-
Bad debt	53,503	3,949	-	-
Contract services	228,795	601,249	-	-
Cost of merchandise sold	35,242	981,618	-	-
Depreciation	253,691	456,962	-	95,064
Designated expenses	-	2,500	709	-
Donations to affiliates	217,745	1,512,376	847,127	8,561,319
Dues and subscriptions	52,861	45,909	-	-
Entertainment	32,851	12,095	-	-
Equipment rental	12,538	140,206	-	-
Exhibits expense	-	64,500	-	-
Fuel and oil	1,941	1,351,371	-	-
Fundraising expense	2,615,078	1,381,991	-	-
Insurance	40,461	1,463,858	-	16,508
Interest	94,509	45,383	8,497	104,122
Miscellaneous and other	95,441	201,695	51,445	185
Operating expenses	70,069	165,867	-	-
Other expense	124,869	-	103,252	-
Payroll and payroll related expenses	2,466,920	427,606	-	-
Printing and production	95,776	103,965	-	-
Professional fees	173,599	82,257	13,442	-
Rent	21,198	641,478	-	-
Repairs and maintenance	33,368	338,067	-	-
Shipping and freight	67,700	90,148	-	-
Special events	43,179	293,067	-	-
Supplies	53,627	168,095	11,806	-
Taxes and licenses	113,729	-	-	-
Telephone and utilities	51,941	305,045	-	-
Translation (gain) loss	-	-	-	-
Transportation expense	67	-	-	-
Travel and meetings	2,462	317,058	-	-
TOTAL COSTS AND EXPENSES	\$ 7,469,408	\$ 16,263,590	\$ 1,505,608	\$ 8,777,198

DEA Education Center	AAHFM	Eliminating Entries	2021	2020
13,224	\$ -	\$ -	\$ 514,910	\$ 270,762
-	-	-	-	-
-	-	-	3,917,219	2,834,669
-	-	-	1,526,294	1,000,372
22,995	-	-	28,649	326
-	-	-	57,452	(74,928)
116,948	-	-	946,992	617,089
-	-	-	1,016,860	476,461
161,140	-	-	966,857	820,000
-	-	-	3,209	1,880
48,000	-	(11,186,567)	-	-
634	-	-	99,404	87,247
4,597	-	-	49,543	10,040
6,969	-	-	159,713	111,880
32,346	-	-	96,846	48,442
139	-	-	1,353,451	512,155
-	-	-	3,997,069	3,648,935
36,861	-	-	1,557,688	1,518,463
121,358	-	-	373,869	212,092
35,546	-	-	384,312	241,650
47,963	-	-	283,899	393,415
-	-	-	228,121	21,169
549,124	-	-	3,443,650	3,155,156
54,566	-	-	254,307	117,587
23,194	-	-	292,492	238,011
45,490	-	-	708,166	965,875
42,120	-	-	413,555	231,192
15,592	-	-	173,440	154,298
43,760	-	-	380,006	385,841
25,228	-	-	258,756	182,378
45,148	-	-	158,877	71,297
35,031	-	-	392,017	341,517
-	-	-	-	-
374	-	-	441	533
3,675	-	-	323,195	182,086
<u>\$ 1,532,022</u>	<u>\$ -</u>	<u>\$ (11,186,567)</u>	<u>\$ 24,361,259</u>	<u>\$ 18,777,890</u>

American Airpower Heritage Group

Consolidating Schedules of Intragroup Notes (Payable)/Receivable December 31, 2021 and 2020

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
	<u>-</u>	<u>(3,229)</u>	<u>3,229</u>
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
 December 31, 2021 and 2020

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, 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	<u>\$ 1,108,754</u>	<u>\$ (1,160,265)</u>	<u>\$ 51,511</u>

American Airpower Heritage Group
 Consolidating Schedules of Intragroup Notes (Payable)/Receivable –
 Continued
 December 31, 2021 and 2020

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

Intragroup (payable)/receivable at December 31, 2020 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