

ASTRONAUT SCHOLARSHIP FOUNDATION, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Astronaut Scholarship Foundation, Inc.

We have audited the accompanying financial statements of Astronaut Scholarship Foundation, Inc., which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Directors of
Astronaut Scholarship Foundation, Inc.
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Astronaut Scholarship Foundation, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BKHM, P.A.

Winter Park, Florida
April 6, 2020

ASTRONAUT SCHOLARSHIP FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

ASSETS

Current assets:

Cash and cash equivalents	\$ 460,176
Accounts and interest receivable	262,780
Current portion of pledges receivable	279,384
Investments	9,866,371
Prepaid expenses	22,048
Total current assets	<u>10,890,759</u>

Noncurrent assets:

Pledges receivable, less current portion	446,523
Property and equipment, net	3,203
License fee, net	3,083
Total noncurrent assets	<u>452,809</u>
Total assets	<u>\$ 11,343,568</u>

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$ 52,928
Deferred revenue	93,750
Total current liabilities	<u>146,678</u>

Net assets:

Without donor restrictions	9,866,120
With donor restrictions	1,330,770
Total net assets	<u>11,196,890</u>
Total liabilities and net assets	<u>\$ 11,343,568</u>

See accompanying notes to financial statements.

ASTRONAUT SCHOLARSHIP FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating activities:			
Support and revenue:			
Contributions	\$ 561,436	\$ -	\$ 561,436
Public education programs	701,862	458,750	1,160,612
Support service fee	250,000	-	250,000
Dividends and interest on investments	240,324	-	240,324
Net assets released from restrictions:			
Satisfaction of specified purpose	99,842	(99,842)	-
Total support and revenue	<u>1,853,464</u>	<u>358,908</u>	<u>2,212,372</u>
Expenses:			
Program services	<u>1,401,588</u>	-	<u>1,401,588</u>
Total program services	<u>1,401,588</u>	-	<u>1,401,588</u>
Supporting services:			
Management and general	208,491	-	208,491
Fundraising	649,467	-	649,467
Total supporting activities	<u>857,958</u>	-	<u>857,958</u>
Total expenses	<u>2,259,546</u>	-	<u>2,259,546</u>
Change in net assets from operations	<u>(406,082)</u>	<u>358,908</u>	<u>(47,174)</u>
Nonoperating activities:			
Net realized and unrealized gain on investments	<u>1,505,479</u>	<u>7,442</u>	<u>1,512,921</u>
Total nonoperating activities	<u>1,505,479</u>	<u>7,442</u>	<u>1,512,921</u>
Change in net assets	1,099,397	366,350	1,465,747
Net assets at beginning of year	<u>8,766,723</u>	<u>964,420</u>	<u>9,731,143</u>
Net assets at end of year	<u>\$ 9,866,120</u>	<u>\$ 1,330,770</u>	<u>\$ 11,196,890</u>

See accompanying notes to financial statements.

ASTRONAUT SCHOLARSHIP FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Scholarship awards	\$ 374,922	\$ -	\$ -	\$ 374,922
Scholarship giving	20,595	-	-	20,595
Mentor program	12,000	-	-	12,000
Personnel expenses	569,027	75,251	111,274	755,552
Professional development	8,369	-	-	8,369
Contract services	30,046	18,587	3,338	51,971
Investment fees	-	76,130	-	76,130
Travel	18,402	959	1,996	21,357
Business expense	40,186	29,307	27,915	97,408
Office expense	26,764	5,068	13,576	45,408
Special events	294,178	115	486,494	780,787
Public awareness	6,159	-	684	6,843
Major donor activities	940	-	4,190	5,130
Depreciation and amortization	-	3,074	-	3,074
Total expenses	\$ 1,401,588	\$ 208,491	\$ 649,467	\$ 2,259,546

See accompanying notes to financial statements.

ASTRONAUT SCHOLARSHIP FOUNDATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,465,747
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation and amortization	3,074
Donated stock	(11,135)
Net unrealized and realized gain on investments	(1,512,921)
Changes in assets and liabilities:	
Accounts and interest receivable	(112,311)
Pledges receivable	(178,260)
Prepaid expenses	(7,182)
Accounts payable and accrued expenses	(14,057)
Deferred revenue	(43,250)
Net cash used for operating activities	<u>(410,295)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(235,269)
Proceeds from sale of investments	<u>676,130</u>
Net cash provided by investing activities	<u>440,861</u>
Net increase in cash and cash equivalents	30,566
Cash and cash equivalents at beginning of year	<u>429,610</u>
Cash and cash equivalents at end of year	<u><u>\$ 460,176</u></u>

See accompanying notes to financial statements.

ASTRONAUT SCHOLARSHIP FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Entity

The Astronaut Scholarship Foundation, Inc. (the "Foundation") is a nonprofit corporation established in 1984 by the six surviving members of America's original Mercury astronauts and has since been joined by more than 80 astronauts from Gemini, Apollo, Skylab, and Space Shuttle programs in supporting this educational endeavor.

The Foundation's mission is to aid the United States in retaining its world leadership in technology and innovation by supporting the very best and brightest scholars in science, technology, engineering, and mathematics while commemorating the legacy of America's pioneering astronauts. This aid includes the annual granting of scholarships to undergraduate college students who: (a) are U.S. citizens, (b) have completed at least two years of undergraduate coursework, and (c) exhibit imagination and exceptional performance in the fields of science, technology, engineering, and/or mathematics. The Foundation also facilitates programs to educate the general public and various charitable and/or not for profit organizations concerning the fields of science, technology, engineering, and/or mathematics in general and space exploration in particular.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors. The Foundation's board of directors may designate net assets without donor restrictions for specific operational purposes from time to time.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

ASTRONAUT SCHOLARSHIP FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Foundation's ongoing activities. Non-operating activities are limited to resources that generate net realized and unrealized gains and losses from investments, endowment contributions and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all cash and other highly liquid investments purchased with maturities of 90 days or less to be cash equivalents. Amounts held in money market mutual funds for donor endowments are classified as investments.

Pledges Receivable

Pledges receivable consist of unconditional promises to give and are recorded when the promises to contribute are made. Pledges receivable which are expected to be collected in more than one year are stated at the present value of estimated future receipts. The Foundation provides an allowance for uncollectible pledges based on historical collection experience. Pledges receivable are written off when determined to be uncollectible.

Investments

Investments are stated at market value. Realized and unrealized gains and losses are reflected in the statement of activities and are combined with investment income earned during the period. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or if donated, at fair market value on the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets (5-7 years for office equipment and 5 years for software).

Donated Collectible Items

The Foundation does not capitalize donated space artifacts or recognize them as revenues until such time that the donated item is auctioned or sold. At that time, the value of the item is recognized at the value realized.

Donated Services

A portion of the Foundation's functions are conducted by officers, board members, and volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria necessary for recognition.

ASTRONAUT SCHOLARSHIP FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Revenue Recognition

All items of support and revenue are stated on the accrual basis. Support and revenue are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions that are not fulfilled in the accounting period. All expenses are reported as decreases in net assets without donor restrictions.

Contributions subject to donor-imposed restrictions are recorded as revenue with donor restrictions. When the donor-imposed restriction has been fulfilled or the stipulated time period has elapsed, the net assets are reclassified as net assets without donor restrictions and reported as net assets released from restrictions. Contributions with restrictions that are met during the fiscal year in which they are received are recorded as revenue without donor restrictions. Conditional promises to give and intentions to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Special event revenue is recorded as deferred revenue until the event is held.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions. Those expenses include personnel, contract services, travel, business, office, public awareness, major donor activities, depreciation and amortization. Such allocations are determined by management based on estimates of time and effort. Investment fees are allocated based on direct costs. Certain expenses, including scholarship awards, scholarship giving, mentor program and professional development have been allocated to the program services directly benefited.

Financial Instruments and Concentration of Credit Risk

The Foundation's financial instruments consist principally of cash and cash equivalents, accounts and interest receivable, pledges receivable, investments and accounts payable and accrued expenses. The fair value of a financial instrument is the amount that would be received in an asset sale or paid to transfer a liability in an orderly transaction between unaffiliated market participants. Assets and liabilities measured at fair value are categorized based on whether the inputs are observable in the market and the degree that the inputs are observable. The categorization of financial instruments within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels (with Level 3 being the lowest) defined as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

ASTRONAUT SCHOLARSHIP FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The fair value of the Foundation's cash and cash equivalents and investments was determined based on Level 1 inputs. The Foundation does not have any financial instruments in the Level 2 or Level 3 categories. The recorded values of cash and cash equivalents, accounts and interest receivable, investments and accounts payable and accrued expenses approximate their fair values based on their short-term nature. The recorded values of pledges receivable approximate their fair values, as the discount rate approximates market rates.

There have been no changes in Level 1, Level 2 and Level 3 and no changes in valuation techniques for these assets or liabilities for the year ended December 31, 2019.

Financial instruments which potentially expose the Foundation to a concentration of credit risk consist primarily of cash and cash equivalents. The Foundation deposits its cash with a major bank. Deposits totaling approximately \$322,000 were not fully guaranteed by the FDIC as of December 31, 2019. The Foundation has not historically experienced losses on its bank cash deposits.

Income Taxes

The Foundation is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Subsequent Events

The Foundation has evaluated subsequent events through April 6, 2020, the date these financial statements were available to be issued.

Recently Adopted Accounting Pronouncement

In 2019, the Foundation adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes previous revenue recognition guidance. Topic 606 is a comprehensive new revenue recognition model that requires an organization to recognize revenue when goods and services are transferred to the customer in an amount that is proportionate to what has been delivered at that point and that reflects the consideration to which the organization expects to be entitled for those goods or services. The Foundation adopted the standard using a modified retrospective approach. The adoption of the

ASTRONAUT SCHOLARSHIP FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

standard did not have a material effect on the Foundation's financial position, changes in net assets or cash flows.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The new standard is effective for the fiscal year ending December 31, 2021. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. The Foundation is currently evaluating the effect that implementation of the new standard will have on its financial position, changes in net assets and cash flows.

In June 2018, the FASB issued Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides a more robust framework for determining whether a contribution is conditional or unconditional and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenue and expense recognition. The new standard is effective for the fiscal year ending December 31, 2020 and may be applied retrospectively or prospectively. The Foundation is currently evaluating the effect that implementation of the new standard will have on its financial position, changes in net assets and cash flows.

2 LIQUIDITY AND AVAILABILITY

The Foundation receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions; such support has historically represented approximately 91% of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include management and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

ASTRONAUT SCHOLARSHIP FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations under endowments with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The table below presents financial assets available for general expenditures within one year as of December 31, 2019:

Financial assets at year-end:	
Cash and cash equivalents	\$ 460,176
Accounts and interest receivable	262,780
Pledges receivable	725,907
Investments	<u>9,866,371</u>
Total financial assets	<u>11,315,234</u>
Less amounts not available to be used within one year:	
Pledges receivable due after one year	446,523
Investments held for endowment with donor restrictions	460,064
Net assets with donor restrictions	<u>870,706</u>
Financial assets not available to be used within one year	<u>1,777,293</u>
Financial assets available to meet general expenditures within one year	<u>\$ 9,537,941</u>

3 ACCOUNTS AND INTEREST RECEIVABLE

Accounts and interest receivable consist primarily of amounts due under various agreements and accrued interest receivable on the investments. Based on the collectibility of funds from these sources, management believes that an allowance for doubtful accounts is not considered necessary.

ASTRONAUT SCHOLARSHIP FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

4 PLEDGES RECEIVABLE

Pledges receivable represent amounts pledged to the Foundation using a discount rate of 3% for the present value calculation. The table below shows how the pledges receivable are to be collected:

Pledges receivable due in:	
Less than one year	\$ 279,384
One to five years	512,500
	<u>791,884</u>
Less: Discount to present value	(65,977)
Net pledges receivable	<u>\$ 725,907</u>

There was no allowance for uncollectible pledges receivable recorded as of December 31, 2019 since management believes that all amounts are fully collectible and have been reduced to their present value.

5 INVESTMENTS

Investments consist of the following as of December 31, 2019:

Cash held by investment managers	\$ 613,049
Equities	5,870,966
Fixed income and preferreds	2,644,792
Real estate	737,564
Total investments	<u>\$ 9,866,371</u>

6 PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows as of December 31, 2019:

Office equipment	\$ 32,024
Software	11,850
Less accumulated depreciation	(40,671)
	<u>\$ 3,203</u>

Depreciation expense totaled \$3,074 for the year ended December 31, 2019.

ASTRONAUT SCHOLARSHIP FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

7 COMMITMENTS AND CONTINGENCIES

Support Service Agreement

Effective January 1, 2018, the Foundation entered into an agreement with DNC Parks & Resorts at KSC, Inc. ("Delaware North"). The agreement has an initial term of three years, with automatic extensions for up to three consecutive instances, each comprising a two year extension of the term. The Foundation and Delaware North agreed to enter into a new contract in order to continue their relationship, whereby the Foundation will continue to provide certain support services in connection with the operation of the Kennedy Space Center Visitor Complex and the U.S. Astronaut Hall of Fame in exchange for a fixed annual fee. For the first two years of the contract, the fee will be \$250,000. Thereafter, the fee is adjusted based upon the change in the Consumer Price Index.

Revenue recognized for the year ended December 31, 2019 was \$250,000, which is included in support service fee in the accompanying statement of activities.

Lease Commitments

The Foundation has commitments under a non-cancelable operating lease for office space. The Foundation is obligated to pay a base rent and other operating expenses. Future minimum lease payments due under the lease are as follows:

<u>Year Ended December 31,</u>	<u>Minimum</u> <u>Payments</u>
2020	<u>\$ 15,742</u>

Lease expense under the non-cancelable operating lease for the year ended December 31, 2019 was approximately \$38,000, which is included in business expense in the accompanying statement of functional expenses.

Uncertainty

The extent of the impact and effects of the recent outbreak of the coronavirus on the Foundation's operations will depend on future developments, including the duration and spread of the outbreak, related travel advisories and restrictions and the recovery time of disrupted contributors, all of which are highly uncertain and cannot be predicted. While the Foundation's operations have not been significantly impacted due to the virus to date, if the virus causes significant negative impacts to economic conditions, the Foundation's operations may be adversely affected.

ASTRONAUT SCHOLARSHIP FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

8 NET ASSETS

Net assets with donor restrictions were as follows as of December 31, 2019:

Subject to the passage of time:	
Pledge for endowment	\$ 112,500
Apollo 13 - 50th anniversary event	93,750
Subject to expenditure for specified purpose:	
Scholarships - school specific	664,456
Endowment net assets with donor restrictions:	
Boundless Frontier Endowment	273,521
Aldrin Family Foundation Endowment	137,200
Scholarship endowment	<u>49,343</u>
 Total net assets with donor restrictions	 <u><u>\$ 1,330,770</u></u>

Releases from net assets with donor restrictions were as follows for the year ended December 31, 2019:

Subject to expenditure for specified purpose:	
Scholarships - school specific	\$ 94,262
Scholarships - general	<u>5,580</u>
 Total net assets released from restrictions	 <u><u>\$ 99,842</u></u>

9 ENDOWMENTS

The endowments consist of three funds established to support different purposes and include donor-restricted funds. The principal balance of the Boundless Frontier Endowment fund is considered restricted by the donor. The dividends, interest and similar amounts earned on the endowment are considered net assets without donor restrictions. The principal balance of the Aldrin Family Foundation Endowment fund is considered restricted by the donor. The dividends, interest and similar amounts earned on the endowment are considered net assets with donor restrictions. During 1986, the Foundation was the recipient of a \$25,000 contribution for the purpose of establishing a scholarship endowment fund which the principal is considered donor restricted. The dividends, interest and similar amounts earned on the endowment are considered donor restricted for a specified purpose.

Management of the Foundation's endowments is governed by the state of Florida based on the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). As a result, amounts are classified in the donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Foundation appropriates such amounts for expenditure. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to the endowment fund, unless a donor stipulates to the contrary. As a result

ASTRONAUT SCHOLARSHIP FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures allowed under the law. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate donor-restricted endowment funds:

- The duration and preservation of the funds
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

The endowment net assets composition by type of fund as of December 31, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original donor-restricted gift amount required to be maintained in perpetuity	\$ -	\$ 162,200	\$ 162,200
Accumulated investment gains:			
Without purpose restrictions	130,983	-	130,983
With purpose restrictions	-	297,864	297,864
Total funds	<u>\$ 130,983</u>	<u>\$ 460,064</u>	<u>\$ 591,047</u>

Changes in Endowment Fund Net Assets

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 57,348	\$ 447,622	\$ 504,970
Investment return, net	73,635	7,442	81,077
Contributions	-	5,000	5,000
Endowment net assets, end of year	<u>\$ 130,983</u>	<u>\$ 460,064</u>	<u>\$ 591,047</u>

ASTRONAUT SCHOLARSHIP FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period.

Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a stated percentage of certain indices, while assuming a moderate level of investment risk. The Foundation does not expect its endowment funds to provide a specific average rate of return, and actual returns will vary over time.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation's investment policy guidelines for all investments is reviewed and reconfirmed or revised on at least an annual basis. Performance of the Foundation's investments and investment management is reviewed by the finance committee and reported to the Foundation's board of directors on at least an annual basis.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Annual disbursements are not to exceed the lesser of \$500,000 or 5% of the fund balance. Annual disbursements are limited to the dividends, interest and similar amounts earned on the endowments and may be disbursed at the full discretion of the Foundation, as the donors have specified. Unused earnings are added back to the principal to promote growth and protect against inflation.

10 EMPLOYEE RETIREMENT PLAN

The Foundation has a retirement plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers those exempt employees with at least one (1) year of continuous full-time service with the Foundation prior to the commencement of a 403(b) plan year. Each employee will vest in the amount comprising their employer match contributions after five (5) years of continuous full-time service. The Foundation will make matching contributions to such employee's 403(b) plan account equal to 50% of their annual contribution, up to a maximum annual match amount per employee of \$5,000. Matching contributions for the year ended December 31, 2019 were \$7,889.

ASTRONAUT SCHOLARSHIP FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

11 MATCHING SCHOLARSHIPS

The University of Minnesota, University of Central Florida, Texas A&M University, Louisiana State University, University of Chicago, University of Kansas and Florida Institute of Technology have agreed to match the Foundation's grant of a \$10,000 scholarship to a student, such that two \$10,000 Astronaut Scholarships are granted annually to two students attending these schools (instead of the customary grant of one \$10,000 scholarship to one attending student). The matching grants that have been made by these schools are not reflected in the Foundation's scholarship amounts contained in the accompanying financial statements.