

ARMY WAR COLLEGE FOUNDATION, INC.

FINANCIAL REPORT

JULY 31, 2009

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Army War College Foundation, Inc.
Carlisle, Pennsylvania

We have audited the accompanying statement of financial position of the Army War College Foundation, Inc., as of July 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Army War College Foundation, Inc. as of July 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Carlisle, Pennsylvania
November 30, 2009

ARMY WAR COLLEGE FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

July 31, 2009

| ASSETS | |
|---|----------------------------|
| Current Assets | |
| Cash and cash equivalents | \$ 1,008,745 |
| Receivables | |
| Trade | 6,767 |
| Pledges receivable - net | 56,386 |
| Interest | 5,142 |
| Prepaid insurance | 2,769 |
| Inventories | 67,545 |
| Total current assets | <u>1,147,354</u> |
| Furniture and equipment | 147,479 |
| Less accumulated depreciation | <u>(83,838)</u> |
| | <u>63,641</u> |
| Investments | 4,161,583 |
| Self-insured unemployment deposit | <u>564</u> |
| Total assets | <u><u>\$ 5,373,142</u></u> |
| LIABILITIES AND NET ASSETS | |
| Current Liabilities | |
| Accounts payable | \$ 2,423 |
| Payroll tax withholdings | 35 |
| Accrued vacation | 2,617 |
| Sales tax payable | 1,254 |
| Deferred revenue | 19,721 |
| Total current liabilities | <u>26,050</u> |
| Deposits held in escrow for Class of 1994 | <u>5,500</u> |
| Net Assets | |
| Unrestricted | |
| Undesignated | 1,128,818 |
| Board designated | 1,591,840 |
| Temporarily restricted | 349,205 |
| Permanently restricted | 2,271,729 |
| Total net assets | <u>5,341,592</u> |
| Total liabilities and net assets | <u><u>\$ 5,373,142</u></u> |

See Notes to Financial Statements.

ARMY WAR COLLEGE FOUNDATION, INC.

**STATEMENT OF ACTIVITIES
For the Year Ended July 31, 2009**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|---------------------|---------------------------|---------------------------|---------------------|
| Revenue, Gains and Other Support | | | | |
| Contributions | \$ 510,114 | \$ 393,834 | \$ 98,550 | \$ 1,002,498 |
| Membership income | 160,581 | - | - | 160,581 |
| SLSR program support | 77,602 | - | - | 77,602 |
| Book sales | 147,424 | - | - | 147,424 |
| Special events | 3,440 | - | - | 3,440 |
| Less: cost of direct donor benefit | (1,562) | - | - | (1,562) |
| Royalties | 2,718 | - | - | 2,718 |
| Miscellaneous income | 1,107 | - | - | 1,107 |
| Net assets released from restrictions | 324,817 | (324,817) | - | - |
| Total revenue, gains and other support | 1,226,241 | 69,017 | 98,550 | 1,393,808 |
| Expenses and Losses | | | | |
| Program services | 872,001 | - | - | 872,001 |
| General and administrative | 209,650 | - | - | 209,650 |
| Fundraising | 105,813 | - | - | 105,813 |
| Total functional expenses | 1,187,464 | - | - | 1,187,464 |
| Loss on uncollectible pledges receivable | - | - | 250,000 | 250,000 |
| Loss on sale of equipment | 1,299 | - | - | 1,299 |
| Total expenses and losses | 1,188,763 | - | 250,000 | 1,438,763 |
| Change in net assets before investment return | 37,478 | 69,017 | (151,450) | (44,955) |
| Investment Return | | | | |
| Interest and dividends | 80,330 | 44,491 | - | 124,821 |
| Net realized and unrealized losses | (563,901) | (129,783) | - | (693,684) |
| | (483,571) | (85,292) | - | (568,863) |
| Change in net assets | (446,093) | (16,275) | (151,450) | (613,818) |
| Net Assets: | | | | |
| August 1, 2008 | 2,523,494 | 365,480 | 2,423,179 | 5,312,153 |
| Net assets received from merger (Note 1) | 643,257 | - | - | 643,257 |
| July 31, 2009 | <u>\$ 2,720,658</u> | <u>\$ 349,205</u> | <u>\$ 2,271,729</u> | <u>\$ 5,341,592</u> |

See Notes to Financial Statements.

ARMY WAR COLLEGE FOUNDATION, INC.

STATEMENT OF CASH FLOWS

For the Year Ended July 31, 2009

| | |
|---|---------------------|
| <hr/> | |
| Cash Flows From Operating Activities | |
| Change in net assets | \$ (613,818) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | |
| Depreciation | 21,646 |
| Loss on uncollectible pledges receivable | 250,000 |
| Net realized and unrealized loss on investments | 693,684 |
| Loss on disposal of equipment | 1,299 |
| Contributions restricted for long-term investment | (98,550) |
| Changes in assets and liabilities: | |
| (Increase) decrease in: | |
| Accounts receivable | 7,563 |
| Pledges receivable | 39,709 |
| Interest receivable | 847 |
| Prepaid insurance and deposit | (2,789) |
| Inventories | 6,455 |
| (Decrease) increase in: | |
| Accounts payable | (8,797) |
| Accrued expenses | 2,617 |
| Payroll tax withholdings | (5,928) |
| Deferred revenue | (11,808) |
| Net cash provided by operating activities | <u>282,130</u> |
| Cash Flows From Investing Activities | |
| Purchase of equipment | (36,818) |
| Purchase of investments | 1,412,290 |
| Proceeds from sale of investments | (1,703,460) |
| Net cash used in investing activities | <u>(327,988)</u> |
| Cash Flows From Financing Activities | |
| Proceeds from contributions restricted for Endowment Fund | <u>98,550</u> |
| Net increase in cash | 52,692 |
| Cash: | |
| August 1, 2008 | 914,844 |
| Cash received in merger (Note 1) | 41,209 |
| July 31, 2009 | <u>\$ 1,008,745</u> |

See Notes to Financial Statements.

ARMY WAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies

Nature of Activity: The Foundation generally engages in charitable and educational endeavors solely for the benefit of the U.S. Army War College and their respective purposes and programs.

On August 1, 2008, the Alumni Association of the U.S. Army War College, Carlisle, PA, another 501(c)(3) organization, merged into the Foundation. Since both of these organizations shared in the common purpose of supporting the activities of the U.S. Army War College, the merger strengthened and aligned the common mission and enhanced the programs offered.

The following is a summary of the assets and liabilities received from the Alumni Association in the merger on August 1, 2008:

| | |
|-------------------------------|-------------------|
| Cash | \$ 41,209 |
| Accounts Receivables | 598 |
| Inventory | 23,672 |
| Investments | 570,085 |
| Furniture and Equipment net | 19,243 |
| Accounts payable and deposits | (11,570) |
| Net assets | <u>\$ 643,237</u> |

Basis of Accounting: The Foundation's policy is to prepare its financial statements on the accrual basis of accounting, consequently, revenue is recognized when earned, and expenses when incurred.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Restricted and Unrestricted Revenue and Support: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities, as net assets released from restrictions.

Cash and Cash Equivalents: For purposes of the Statement of Cash Flows, the Foundation considers all short-term investments purchased with a maturity of three months or less to be cash equivalents.

ARMY WAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Inventory: Inventory is valued at cost based primarily on the first-in, first-out method.

Donated Services and Property: Securities, services and supplies donated to the Foundation are recorded at their estimated fair market values when received. During the year, the Foundation received the following donated services and property:

| | Amount |
|-----------------|------------------|
| Donated tickets | \$ 9,590 |
| Donated goods | 1,294 |
| | <u>\$ 10,884</u> |

Depreciation: Equipment is recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of five to seven years.

Investments: Investments in marketable debt and equity securities are reported at their fair values based on quoted market prices in established markets. Investment income or loss, including realized and unrealized gains and losses on investments, are included in the Statement of Activities.

Income Taxes: The Internal Revenue Service has determined that the Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

In December 2008, the Financial Accounting Standards Board (FASB) issued FSP No. FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. The FSP defers the effective date of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, to be effective for fiscal years beginning after December 15, 2008, for certain nonpublic enterprises. The FSP requires a nonpublic enterprise that elects to defer the application of FIN 48 to explicitly disclose that fact and also requires the disclosure of the enterprise's accounting policy for evaluating uncertain tax positions for each set of financial statements where the deferral applies.

The Foundation has elected to defer the application of FIN 48. For the year ended June 30, 2009, the Foundation has accounted for uncertain tax positions, if any, in accordance with Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*.

Advertising: The Foundation's policy is to expense advertising costs as incurred.

Subsequent Events: The Foundation has evaluated subsequent events through November 30, 2009, which is the date the financial statements were available to be issued.

ARMY WAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. Pledges Receivable

During 2004, the Foundation entered into the silent phase of a capital campaign. Pledges were solicited from the Board of Directors and are permanently restricted for the Endowment Fund.

The following is a schedule of capital campaign pledges to be collected as of July 31, 2009:

| | Amount |
|---|------------------|
| Within one year | \$ 56,850 |
| Less: discounts for the time-value of money | (464) |
| | <hr/> |
| Amount on Statement of Financial Position | <u>\$ 56,386</u> |

Note 3. Investments

Investments measured at fair value consist of the following at July 31, 2009:

| | Cost | Fair Market Value |
|--------------------------------------|--------------|-------------------|
| Money market funds | \$ 122,307 | \$ 122,307 |
| Fixed income bond funds | 1,109,852 | 1,139,385 |
| Common stock and equity mutual funds | 3,412,349 | 2,899,891 |
| | <hr/> | <hr/> |
| | \$ 4,644,508 | \$ 4,161,583 |

Investment activity for the year consists of the following:

| | Amount |
|--------------------------------------|-----------------------|
| Balance, beginning of year | \$ 3,994,012 |
| Received from merger (Note 1) | 570,105 |
| Contributions | 252,747 |
| Interest and dividends | 111,858 |
| Trust fees | (30,955) |
| Withdrawals | (42,500) |
| Investment Returns | |
| Realized losses | (502,693) |
| Unrealized losses | (190,991) |
| Net realized and unrealized (losses) | <hr/> (693,684) <hr/> |
| Balance, end of year | <u>\$ 4,161,583</u> |

ARMY WAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. Fair Value Measurements

Effective August 1, 2008, the Foundation adopted the provisions of Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (SFAS 157), which defines fair value and establishes a framework for measuring fair value. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The SFAS 157 framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SFAS 157 are described below:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">• Quoted prices for similar assets or liabilities in active markets;• Quoted prices for identical or similar assets or liabilities in inactive markets;• Inputs other than quoted prices that are observable for the asset or liability;• Inputs that are derived principally from or corroborated by observable market data by correlation or other means. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The assets that are recorded at fair value on a recurring basis are investments, including the Endowment Fund. The Organization has no financial liabilities or non-financial items that are recorded at fair value on a recurring basis. Following is a description of the valuation methodologies used for assets measured at fair value.

Common stocks, equity mutual funds and fixed income bond funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Money market funds: Valued using a pricing model or series of matrices based on standard inputs which may include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications.

ARMY WAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. Fair Value Measurements (Continued)

The following table sets forth those assets measured at fair value on a recurring basis by level, within the fair value hierarchy, as of July 31, 2009:

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------------|---------------------|-------------|-------------------|---------------------|
| Money market funds | \$ - | \$ - | \$ 122,307 | \$ 122,307 |
| Fixed income bond funds | 1,139,385 | | | 1,139,385 |
| Common stock and equity mutual funds | 2,899,891 | - | - | 2,899,891 |
| | <u>\$ 4,039,276</u> | <u>\$ -</u> | <u>\$ 122,307</u> | <u>\$ 4,161,583</u> |

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the year ended July 31, 2009:

| | Cash Equivalents |
|---|---------------------|
| Balance, beginning of year | \$ 85,911 |
| Purchases, sales, issuances and settlements (net) | <u>36,396</u> |
| Balance, end of year | <u>\$ 122,307</u> |

Note 5. Endowments

The Foundation's endowments, classified on the balance sheet as Investments and cash, consist of two endowment funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. 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.

Interpretation of Relevant Law

The Commonwealth of Pennsylvania has not enacted a version of the UPMIFA, or a version of the Uniform Management of Institutional Funds Act (UPMIFA). Governing law resides in 15 Pa. C.S. §5548 "Investment of Trust Funds." The Foundation has interpreted relevant law as requiring the donor-restricted endowment fund, absent explicit donor stipulations to the contrary, to be managed with the long-term objective of at least maintaining the real value (after inflation) of the funds. The Foundation classifies as permanently restricted net assets (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.

ARMY WAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5. Endowments (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by relevant law. Pennsylvania law permits the Board of Directors to make an election to annually appropriate for expenditure a selected percentage between 2% and 7% of the fair value of the assets related to donor-restricted endowment funds averaged over a period of three preceding years, provided the Board has determined that such percentage is consistent with the long-term preservation of the real value of such assets.

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 maintain expenditures 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 organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested based on the standards of a "Prudent Man" that is intended to produce results that exceed the standard indices for each investment classification on an annual basis.

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's investment fund asset mix is invested among equities, fixed income and cash equivalents. The Board has determined an asset mix strategy to improve the probability of achieving enhanced real (inflation protected) rates of return.

Spending Policy

The spending policy of the Foundation is set to provide, as closely as possible, equitable benefit from the endowment for current and future programs. A spending policy has been adopted to fairly meet programmatic requirements of the endowment. The Foundation appropriates funds determined on a total return basis, e.g. interest, dividends, and appreciation of the principal.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift amount maintained as permanently restricted net assets. Deficiencies of this nature were approximately \$221,633 as of July 31, 2009. These deficiencies resulted from unfavorable market fluctuations. These deficiencies are classified as unrestricted net assets.

ARMY WAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5. Endowments (Continued)

Net Asset Classifications of Endowment Funds

Net asset classification by type of endowment as of July 31, 2009:

| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Donor-restricted endowment funds | \$ (221,633) | \$ 195 | \$ 2,214,879 | \$ 1,993,441 |
| Board-designated endowment funds | 1,591,840 | - | - | 1,591,840 |
| Total endowment assets | <u>\$ 1,370,207</u> | <u>\$ 195</u> | <u>\$ 2,214,879</u> | <u>\$ 3,585,281</u> |

Changes in endowment net assets for the year ended July 31, 2009:

| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Balance - beginning of year | \$ 1,735,814 | \$ 130,684 | \$ 2,066,179 | \$ 3,932,677 |
| Investment return: | | | | |
| Interest and dividend income | 39,931 | 56,784 | - | 96,715 |
| Net depreciation (realized and unrealized gains and losses) | (497,528) | (126,870) | - | (624,398) |
| Investment related fees | (12,191) | (15,206) | - | (27,397) |
| Total investment return | 1,266,026 | 45,392 | 2,066,179 | 3,377,597 |
| Contributions | 104,792 | - | 148,700 | 253,492 |
| Appropriation of endowment assets for expenditure | (611) | (45,197) | - | (45,808) |
| Balance - end of year | <u>\$ 1,370,207</u> | <u>\$ 195</u> | <u>\$ 2,214,879</u> | <u>\$ 3,585,281</u> |

Endowment assets are categorized on the statement of financial position as investments.

ARMY WAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6. Royalties

The Foundation receives royalties from various publications, the authors of which have designated that the royalties accrue to the Foundation's benefit.

Note 7. Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of temporary cash investments. The Foundation places its temporary cash investments primarily with financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of July 31, 2009, the Foundation's uninsured cash balance totaled \$539,512.

ARMY WAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

| | Amount |
|---|-------------------|
| Program Support | |
| Bussey Military Intelligence Writing Award | \$ 3,725 |
| BOV Student Leadership Award | 1,521 |
| Student and Faculty Writing Awards - Resident | 1,750 |
| Advanced Strategic Arts Program | 30,043 |
| Jim Thorpe Day | 28 |
| Roberge Memorial Fund | 15,985 |
| Dr. Drago Library Fund | 497 |
| Center for Strategic Leadership Conference | 5,887 |
| Col. Leroy Strong Library Fund | 388 |
| MG R. Clifton Gibbs Library Fund | 3,771 |
| Col Kevin Cunningham International Fellows (IF) Writing Award | 1,160 |
| IF Conversation & Culture (Family Support) | 11,297 |
| IF DeWitt Smith Lecture | 6,822 |
| IF Hersheypark tickets | 12,888 |
| APFRI - Honoraria and Uniforms | 63,823 |
| Milton Davis Bookcases for Writing Awards | 450 |
| NSS Honoraria-McCormick Tribune Fund | 2,899 |
| Deputy Commandant's Reading Program | 480 |
| Leadership Programs or Liberty Limited | 1,013 |
| Industry Day | 4,016 |
| Cohen Memorial Landscaping | 500 |
| Scarves for Spouses | 40 |
| Ethics Program | 23,000 |
| PKSOI | 155,495 |
| Wounded Warrior Fund | 30 |
| NG/USAR Birthday Fund | 1,198 |
| Teaching Strategy Group Award | 305 |
| The Park Fund - Far East Studies | 196 |
| | <u>\$ 349,205</u> |

ARMY WAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investments in perpetuity. The income earned on each investment is tracked and expendable for the following purposes.

| | Amount |
|---|---------------------|
| Chaplain Moore Military Ethical Leadership Lecture Series | \$ 60,000 |
| The Park Fund - Far East Studies | 10,000 |
| Col Arseny A. Melnick Writing Award | 4,101 |
| Landpower Essay | 100,000 |
| DeSerio Chair of Strategic Theatre Intelligence | 1,500,000 |
| General Endowment Fund | 540,778 |
| General Endowment Fund Pledges Recivable | 56,850 |
| | <u>\$ 2,271,729</u> |

ARMY WAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 10. Satisfaction of Restrictions

| | Amount |
|---|-------------------|
| Temporarily Restricted Net Assets Released from Restrictions: | |
| BOV Student Leadership Award | \$ 704 |
| Advanced Strategic Arts Program | 29,957 |
| International Fellows Programs | 20,568 |
| Jim Thorpe Day | 2,972 |
| Roberge Memorial Fund | 1,643 |
| Drago Library Fund | 1,467 |
| Student and Faculty Writing Awards | 2,250 |
| MG R. Clifton Gibbs Library Fund | 5,858 |
| Col Leroy Strong Library Fund | 1,972 |
| Basic Strategic Arts Program | 254 |
| APFRI - Honoraria and Uniforms | 50,262 |
| NSS Honoraria-McCormick Tribune Fund | 32,102 |
| Deputy Commandant's Reading Program | 2,000 |
| Industry Day | 4,000 |
| Ethics Program | 4,500 |
| PKSOI | 77,505 |
| Wounded Warrior Fund | 33,475 |
| Spectrophotometer and Executive Public Speaking Award | 721 |
| Teaching Strategy Group Award and Postage for Iraq parcels | 706 |
| NG/USAR Birthday Fund | 6,703 |
| Chaplain Moore Lecture | 2,389 |
| Landpower Essay | 4,500 |
| Deserio Chair | 38,307 |
| | <u>\$ 324,817</u> |

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

Board of Trustees
Army War College Foundation, Inc.
Carlisle, Pennsylvania

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Carlisle, Pennsylvania
November 30, 2009

ARMY WAR COLLEGE FOUNDATION, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended July 31, 2009

| | Program Services | | | |
|-----------------------------------|-------------------|------------------|-------------------|---------------------|
| | Sutler Store | Alumni Services | Academic Program | Program Enhancement |
| Salaries | \$ 24,717 | \$ 34,487 | \$ 43,736 | \$ 27,345 |
| Payroll taxes | 2,156 | 3,008 | 3,579 | 2,238 |
| Benefits | - | - | 1,318 | 824 |
| Legal and accounting | - | - | - | - |
| Repairs and maintenance | - | 161 | - | - |
| Merger | - | - | - | - |
| Trust, bank and other fees | 7,130 | - | - | - |
| Other taxes | - | - | - | - |
| Dues and subscriptions | - | - | - | - |
| Board member support | - | - | - | - |
| Strategic Leadership Chair | - | - | 43,748 | - |
| DeSerio Chair | - | - | 38,307 | - |
| Strategic Arts Programs | - | - | - | 30,211 |
| AWC Contingency Fund | - | - | - | 5,238 |
| Distinguished lecturers | - | - | 79,536 | - |
| Military Family Program | - | - | - | 1,752 |
| Faculty development | - | - | 7,187 | - |
| International Fellows | - | 1,002 | - | 43,825 |
| Writing and speaking awards | - | - | 17,502 | - |
| Cost of goods sold | 71,347 | - | - | 14,399 |
| SLSR and CSL conferences | - | - | - | 59,693 |
| Wounded warriors trip | - | - | - | 47,175 |
| Stationery and supplies | 940 | 940 | 1,986 | 1,242 |
| Newsletter, printing and design | - | 5,006 | 11,825 | 7,393 |
| Postage and shipping | - | - | 144 | 90 |
| Telephone | - | - | 2,240 | 1,400 |
| Insurance | - | - | - | - |
| Automation | 2,922 | 5,843 | 3,577 | 2,237 |
| Travel and parking | - | - | - | - |
| Meals and entertainment | - | - | - | - |
| Other awards/recognition | - | - | 82,826 | - |
| Protocol | - | - | - | 13,671 |
| Anton Myrer Symposium | - | - | 3,702 | - |
| Library Fund | - | - | 11,297 | - |
| Memorial lectures | - | - | 4,032 | - |
| APFRI/Fitness research | - | - | 50,317 | - |
| Jim Thorpe Day | - | - | 2,972 | - |
| Industry Day | - | - | 4,000 | - |
| Leases | - | - | - | - |
| Donations and gifts | 921 | 14,253 | - | - |
| Advertising and promotional items | 2,076 | 7,782 | - | - |
| Depreciation | 3,071 | 6,141 | 3,405 | 2,129 |
| Miscellaneous | - | - | - | - |
| Total expenses | \$ 115,280 | \$ 78,623 | \$ 417,236 | \$ 260,862 |

| Support Services | | |
|-------------------------------|-------------------|---------------------|
| General and Administrative | Fundraising | Total Expenses |
| \$ 97,270 | \$ 59,410 | \$ 286,965 |
| 8,114 | 4,571 | 23,666 |
| 2,295 | 1,683 | 6,120 |
| 28,922 | - | 28,922 |
| - | - | 161 |
| 966 | - | 966 |
| 33,680 | - | 40,810 |
| 302 | - | 302 |
| 60 | - | 60 |
| 7,472 | - | 7,472 |
| - | - | 43,748 |
| - | - | 38,307 |
| - | - | 30,211 |
| - | - | 5,238 |
| - | - | 79,536 |
| - | - | 1,752 |
| - | - | 7,187 |
| - | - | 44,827 |
| - | - | 17,502 |
| - | - | 85,746 |
| - | - | 59,693 |
| - | - | 47,175 |
| 3,898 | 3,316 | 12,322 |
| 2,135 | - | 26,359 |
| 583 | 14,510 | 15,327 |
| 4,214 | - | 7,854 |
| 2,672 | - | 2,672 |
| 7,147 | - | 21,726 |
| 1,322 | 6,959 | 8,281 |
| - | 7,933 | 7,933 |
| - | 4,273 | 87,099 |
| - | - | 13,671 |
| - | - | 3,702 |
| - | - | 11,297 |
| - | - | 4,032 |
| - | - | 50,317 |
| - | - | 2,972 |
| - | - | 4,000 |
| 410 | - | 410 |
| - | 3,069 | 18,243 |
| - | - | 9,858 |
| 6,900 | - | 21,646 |
| 1,288 | 89 | 1,377 |
| <u>\$ 209,650</u> | <u>\$ 105,813</u> | <u>\$ 1,187,464</u> |