



*DAEDALIAN FOUNDATION*

*FINANCIAL REPORT*

*FOR THE YEAR ENDED  
DECEMBER 31, 2020*

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Daedalian Foundation  
Randolph Air Force Base, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Daedalian Foundation, which comprise the statement of financial position as of December 31, 2020, 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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daedalian Foundation as of December 31, 2020, and the changes in net assets and its activities, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Armstrong, Vaughan & Associates, P.C.*

Armstrong, Vaughan & Associates, P.C.  
May 14, 2021

DAEDALIAN FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2020

**ASSETS**

*Current Assets:*

Cash and Cash Equivalents	\$	1,435,274
Investments		1,357,035
Accrued Interest Receivable		5,107
Prepaid Expenses		486
Due from the Order of the Daedalians		17,356
<i>Total Current Assets</i>		2,815,258

*Non-Current Assets:*

Restricted Investments		1,580,322
Property and Equipment (net)		93,100
<i>Total Non-Current Assets</i>		1,673,422

<b>TOTAL ASSETS</b>	<b>\$</b>	<b>4,488,680</b>
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**NET ASSETS**

*Current Liabilities:*

Accrued Expenses	\$	-
<i>Total Current Liabilities</i>		-

*Net Assets:*

Without Donor Restrictions		2,110,214
With Donor Restrictions		2,378,466
<i>Total Net Assets</i>		4,488,680

<b>TOTAL NET ASSETS</b>	<b>\$</b>	<b>4,488,680</b>
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The accompanying notes are an integral part of these financial statements.

DAEDALIAN FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUES</b>			
Donations	\$ 335,075	\$ 11,134	\$ 346,209
Interest Income	36,601	38,266	74,867
Century Club Income	9,967	-	9,967
Realized Gain (Loss) on Investments	-	459	459
Unrealized Gain (Loss) on Investments	64,990	77,009	141,999
Miscellaneous Income	2,284	-	2,284
Net Assets Released from Restriction	38,861	(38,861)	-
<b>TOTAL SUPPORT AND REVENUES</b>	<u>487,778</u>	<u>88,007</u>	<u>575,785</u>
<b>EXPENSES</b>			
Program	318,562	-	318,562
General and Administrative	48,968	-	48,968
<b>EXPENSES</b>	<u>367,530</u>	<u>-</u>	<u>367,530</u>
<b>CHANGE IN NET ASSETS</b>	120,248	88,007	208,255
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>1,989,966</u>	<u>2,290,459</u>	<u>4,280,425</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,110,214</u>	<u>\$ 2,378,466</u>	<u>\$ 4,488,680</u>

The accompanying notes are an integral part of these financial statements.

DAEDALIAN FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020

<b>EXPENSES</b>	<b>Program</b>	<b>General and Administrative</b>	<b>Total</b>
Salaries and Benefits	\$ 51,414	\$ 40,396	\$ 91,810
Scholarships	198,839	-	198,839
Printing and Postage - Daedalians Flyer	51,347	-	51,347
Meetings, Conference, Travel	571	448	1,019
Professional	4,768	3,746	8,514
Investment Expenses	6,052	-	6,052
Office Expense	1,458	1,146	2,604
Other Operating Expenses	4,113	3,232	7,345
<b>TOTAL EXPENSES</b>	<b>\$ 318,562</b>	<b>\$ 48,968</b>	<b>\$ 367,530</b>

The accompanying notes are an integral part of these financial statements.

DAEDALIAN FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase (decrease) in Net Assets	\$ 208,255
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:	
Unrealized (Gain)/Loss on Investments	(141,999)
Realized (Gain)/Loss on Investments	(459)
Changes in Operating Assets:	
Decrease (Increase) in Prepaid Expenses	(364)
Decrease (Increase) in Due from the Order of the Daedalians	47,938
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>113,371</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Decrease (Increase) in Accrued Interest	4,917
Proceeds from/(Purchase of) Investments	360,415
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>365,332</b>
 <b>NET INCREASE (DECREASE) IN CASH</b>	 <b>478,703</b>
 <b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	
	<b>956,571</b>
 <b>CASH &amp; CASHEQUIVALENTS AT END OF YEAR</b>	 <b>\$ 1,435,274</b>
 Interest Paid	 \$ -

The accompanying notes are an integral part of these financial statements.

DAEDALIAN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 1 -- ORGANIZATION AND NATURE OF ACTIVITIES

The Daedalian Foundation (The Foundation), a Texas non-profit corporation, was organized by the Order of Daedalians, Inc. in 1959 to carry on activities in furtherance of the ideals and purposes of the Order. The Foundation's mission is threefold: to inspire young Americans to pursue careers as military aviators via scholarships, flying instruction, and other educational opportunities; to perpetuate the spirit of patriotism, love of country, and high ideals of self-sacrifice exemplified by the American pilots of World War I; and to raise and invest funds to advance these goals of the Foundation mission. The following is a description of programs administered by the Foundation in 2020 to support the Foundation's mission:

*Scholarships:* The Foundation provides scholarship opportunities to students who have demonstrated the desire and potential to become a commissioned military aviator. Daedalian Flying Training scholarships recognizes the efforts of candidates by providing ground and flight training necessary to achieve a solo flight in a general aviation fixed wing aircraft. The Foundation has received a number of restricted gifts that support the scholarship program.

*Awards:* The Foundation awards excellence in education with presentations made to outstanding of the undergraduate pilot training schools of the Air Force's Air Education and Training Command, the Naval Air Training Command, the Army Aviation School, and the United States Air Force Academy Outstanding Cadet in the Order of Graduation. The Foundation also awards the prestigious Junior Reserve Officer Training Corps (JROTC) medal to encourage the development of patriotism and service in JROTC participants interested in pursuing a military career.

*Daedalus Flyer:* The quarterly publication of the Daedalians offers historical and current aviation news, plus information on national and local flight activities including speakers, awards and presentations.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets subject to donor imposed restrictions that are more restrictive than the Foundation's mission and purpose. Some donor-imposed restrictions will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

DAEDALIAN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2020

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

A. *Basis of Presentation (Cont.)*

*Net Assets With Donor Restrictions* - Net assets subject to donor imposed restrictions that are more restrictive than the Daedalian Foundation's mission and purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

B. *Income Taxes*

The Foundation is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code.

The most significant tax positions of the Organization is its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business income tax (UBIT). All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities. The Organization's tax years for 2017 through 2019 are open to examination by the Internal Revenue Service as of December 31, 2020.

C. *Cash and Cash Equivalents*

For the financial statement purposes, the Foundation considers all cash on hand, cash in banks, and cash in money market accounts to be cash and cash equivalents. All other highly liquid debt instruments with an original maturity of three months or less are also included as cash equivalents on the statement of financial position.

D. *Investments*

Investments in equity and debt securities are reported at fair market value in the balance sheet. Fair values are based on quoted market prices (Level 1 Inputs), quoted prices in active or inactive markets for the same or similar assets (Level 2 Inputs), and estimates using the best information available when there is little or no market (Level 3 Inputs). Realized and unrealized gains and losses are recognized in the statement of activities. Investment return, including realized and unrealized gains and losses, is included as changes in net assets consistent with the purpose of the investment and donor-imposed restrictions. No more than 50% of investment principal in each account (unrestricted/restricted/endowment) will be allocated to equities (domestic and international combined) and a minimum of 50% of these equities held at any time will be held in Mutual Funds and Exchange Traded Funds (ETF's) with emphasis on broad market index funds.

DAEDALIAN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2020

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

E. *Estimates*

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. *Property and Equipment*

Property and equipment is stated at cost at date of acquisition or fair value at date of donation in the case of gifts.

G. *Revenue Recognition*

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor restrictions whose restrictions are met in the same reporting period are generally reported as without donor restrictions in the same reporting year.

H. *Functional Allocation of Expenses*

The costs of providing the services and other activities are summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. All administrative employees are recorded as general and administrative expenses of which a portion is allocated to programs through the indirect rate charge. The expenses that are allocated include salaries and benefits which are allocated on the basis of estimates of time and effort, as office and occupancy are allocated based on square-footage.

I. *Depreciation*

Depreciation on the property, furniture and equipment owned by the Foundation has been computed using the straight-line method. The estimated useful lives of the assets are as follows:

	<u>Years</u>
Monument	Not Depreciated
Property and Furniture	10
Equipment	5

DAEDALIAN FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 DECEMBER 31, 2020

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

J. *Contributed Services*

Many members and other volunteers have made significant contributions of their time to develop and promote the programs of the Foundation. The value of these contributed services is not included in the accompanying financial statements, as such services do not create or enhance non-financial assets or require specialized skills.

K. *Subsequent Events*

Subsequent events were considered through May 14, 2021, which is the date the financial statements were available to be issued.

NOTE 3 -- UNINSURED DEPOSITS

As of December 31, 2020, the Order's bank balances exceeded the coverage provided by the Federal Deposit Insurance Corporation (FDIC).

	Book Balance	Bank Balance
Deposits Covered by FDIC Insurance	\$ 250,000	\$ 250,000
Uncollateralized	597,435	612,946
	\$ 847,435	\$ 862,946

NOTE 4 -- PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Monument	\$ 93,100
Furniture and Equipment	3,617
	96,717
Less Accumulated Depreciation	(3,617)
	\$ 93,100

The Monument is not being depreciated.

NOTE 5 -- CENTURY CLUB TRUST

The Century Club Trust was established as an irrevocable trust with the Foundation as grantee, receiving net investment income only. In accordance with the trust agreement, the corpus of the trust cannot be expended. Investment income earned by the trust (net of deductions for management fees) is distributed to the general operating fund; no assets or liabilities are carried on the books of the Foundation. The trust is managed by Bank of America, Dallas, Texas.

DAEDALIAN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2020

NOTE 6 -- INVESTMENTS

Investments are all based on Level 1 inputs and consist of marketable securities, debt and equity instruments considered available for sale and are stated at fair market value as follows:

	Cost	Fair Market Value
<u>Foundation</u>		
Corporate Bonds	\$ 239,279	\$ 251,810
Foreign Bonds	15,019	15,134
Government Asset Backed Securities	17,710	1,410
Stocks & ETF's	152,384	392,688
Open Ended Mutuals	621,033	695,993
Total	1,045,425	1,357,035
 <u>Egan</u>		
Corporate Bonds	273,890	289,020
Municipal Bonds	10,000	10,364
Taxable Municipal Bonds	70,560	74,951
Foreign Bonds	15,019	15,134
Stocks & ETF's	165,759	410,935
Mutual Funds	405,568	507,847
Open Ended Mutuals	245,086	225,947
Total	1,185,882	1,534,198
 <u>Tex Hill</u>		
Corporate Bonds	4,978	5,219
Open Ended Mutuals	2,115	2,248
Total	7,093	7,467
 <u>Spencer</u>		
Open Ended Mutuals	16,369	14,249
Total	16,369	14,249
 <u>Leavoy</u>		
Open Ended Mutuals	12,273	10,816
Total	12,273	10,816
 <u>Hedges</u>		
Corporate Bonds	13,064	13,592
	13,064	13,592
TOTAL	\$ 2,280,106	\$ 2,937,357

DAEDALIAN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2020

NOTE 6 -- INVESTMENTS (CONT.)

The investment accounts above carry cash balances which are considered cash and cash equivalents and are not included in the investment balance above. Cash balances are as follows:

Foundation	\$ 401,749
Egan	493,836
Tex Hill	56,430
Spencer	777
Leavoy	26,572
Hedges	8,933
Other Scholarships	<u>238,080</u>
TOTAL	<u><u>\$ 1,226,377</u></u>

Changes in the unrealized gains (loss) on investment securities available for sale for the year ended December 31, 2020 are as follows:

Foundation	\$ 64,989
Egan	77,932
Tex Hill	86
Spencer	(635)
Leavoy	(579)
Hedges	<u>206</u>
TOTAL	<u><u>\$ 141,999</u></u>

NOTE 7 -- RELATED PARTY TRANSACTIONS

The Order of Daedalians organized The Daedalian Foundation, a Texas nonprofit corporation, in order to promote and encourage safety in flight and for other education, scientific, and charitable pursuits in the field of aeronautics. The Order's National Commander appoints a nominating committee which selects candidates from the general membership to serve on the Foundation Board of Trustees. Election to the Foundation Board of Trustees is achieved by affirmative vote of two-thirds (2/3) of the voting members present.

DAEDALIAN FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 DECEMBER 31, 2020

NOTE 8 -- RESTRICTIONS ON NET ASSETS

The Egan Fund was established by a restricted gift in the amount of \$1,334,521 with earnings to be used for scholarships. The scholarships established for Spencer, Leavoy, Tex Hill, Egan and Hedges request that the earnings be restricted for scholarships, thus, all earnings on the investments are restricted. Net assets were restricted for the following purposes at December 31, 2020:

Egan Scholarships	\$ 2,031,350
Tex Hill Scholarships	28,776
Leavoy Scholarships	42,757
Spencer Scholarships	14,833
Hedges Scholarships	22,670
Other Scholarships	<u>238,080</u>
TOTAL	<u><u>\$ 2,378,466</u></u>

The Foundation has interpreted the Texas Prudent Management of Institutional Funds Act (TPMIFA) as requiring the preservation of the original gift as of the gift date of the Egan fund (absent any donor stipulation to the contrary). In other words, the principal should not be invaded. Additionally, distribution of any profits will occur from only two areas, the distribution of profits from cash, interest or stock dividends or an increase in the realized value of investment. As a result of this interpretation, the Foundation will classify as restricted net assets the original and subsequent gifts donated to the Egan fund. Any accumulations (income from cash, interest or stock dividends, or unrealized/realized gains) will be recognized as restricted net assets. Moreover, any unrealized/realized losses in excess of the fair value of donor restrictions will be first netted against restricted net assets and then netted against unrestricted net assets.

The Foundation in accordance with TPMIFA has considered the following factors in making decisions to appropriate or accumulate donor restricted funds.

1. Duration and Preservation of the fund.
2. Purpose of the Foundation and the Egan fund.
3. Economic conditions.
4. The possible effect of inflation or deflation.
5. The expected total return from income and the appreciation or market downturns.
6. Other resources of the Foundation.
7. The investment policies of the Egan Fund resolution.

The Tex Hill Fund has been established for scholarships. The Spencer Fund, the Leavoy Fund and the Hedges Fund have been established for scholarships and recruiting new young military aviators into the Order.

DAEDALIAN FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2020

NOTE 9 -- LIQUIDITY MANAGEMENT

The Foundation has a goal to maintain financial resources on hand to meet at least 3 months of normal operating expenses which were \$91,883 in 2020. The Foundation has approximately \$419 thousand of financial assets available to meet cash needs in the next year for general expenditures as of December 31, 2020 as shown in the table below:

Cash and Cash Equivalents	\$ 1,435,274
Restricted Cash and Investments	1,357,035
Accrued Interest Receivable	<u>5,107</u>
Total Financial Assets	2,797,416
Less: Current Investments and Cash with Restrictions	<u>(2,378,466)</u>
Total Financial Assets Available to Meet Cash for General Expenditure Needs	<u>\$ 418,950</u>

NOTE 10 -- LITIGATION

The management of the Foundation is unaware of any pending or threatened litigation.

