



ORDER OF DAEDALIANS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
December 31, 2020

Discussion



Discuss

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Order of Daedalians

Report on the Financial Statements

We have audited the accompanying financial statements of the Order of Daedalians, 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 the Order of Daedalians as of December 31, 2020, and the related statements of activities, functional expenses, and its 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

Discussion Draft

ORDER OF DAEDALIANS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

| | Total |
|---|--------------|
| ASSETS | |
| <i>Current Assets:</i> | |
| Cash | \$ 76,999 |
| Investments | 2,343,242 |
| Accrued Interest | 6,094 |
| Prepaid Expenses | 11,560 |
| <i>Total Current Assets</i> | 2,437,895 |
| <i>Property and Equipment (net)</i> | 50,481 |
| TOTAL ASSETS | \$ 2,488,376 |
| LIABILITIES AND NET ASSETS | |
| <i>Liabilities:</i> | |
| Accrued Expenses | 10,432 |
| Due to Daedalians Foundation | 17,358 |
| Accrued Liability for Future Dues | 2,390,516 |
| <i>Total Liabilities</i> | 2,418,306 |
| <i>Net Assets:</i> | |
| Without Donor Restrictions | 70,070 |
| <i>Total Net Assets</i> | 70,070 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 2,488,376 |

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

ORDER OF DAEDALIANS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

| | General Operating Activities | Life Membership Activities | Total |
|---|------------------------------------|----------------------------------|------------------|
| REVENUES, GAINS, AND SUPPORT | | | |
| Member Dues | \$ 95,569 | \$ 1,448 | \$ 97,017 |
| New Member Dues | 4,355 | - | 4,355 |
| Delinquent Dues | 23,110 | - | 23,110 |
| Interest Income | 2,074 | 61,883 | 63,957 |
| Miscellaneous Income | 576 | - | 576 |
| Payroll Protection Plan | 47,600 | - | 47,600 |
| Unrealized Gain (Loss) on Investments | - | 178,401 | 178,401 |
| TOTAL REVENUES, GAINS, AND SUPPORT | <u>173,284</u> | <u>241,732</u> | <u>415,016</u> |
| EXPENSES | | | |
| Program | 235,642 | - | 235,642 |
| General and Administrative | 140,594 | - | 140,594 |
| TOTAL EXPENSES | <u>376,236</u> | <u>-</u> | <u>376,236</u> |
| INCREASE (DECREASE) IN | | | |
| UNRESTRICTED NET ASSETS | (202,952) | 241,732 | 38,780 |
| Transfer of Annual Dues for Lifetime Members | 270,125 | (270,125) | - |
| NET CHANGE IN | | | |
| UNRESTRICTED NET ASSETS | 67,173 | (28,393) | 38,780 |
| NET ASSETS (DEFICIT) - BEGINNING OF YEAR | <u>(194,076)</u> | <u>225,366</u> | <u>31,290</u> |
| NET ASSETS (DEFICIT) - END OF YEAR | <u>\$ (126,903)</u> | <u>\$ 196,973</u> | <u>\$ 70,070</u> |

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

ORDER OF DAEDALIANS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

| | <u>Program</u> | <u>General and Administrative</u> | <u>Total</u> |
|----------------------------------|-------------------|---------------------------------------|-------------------|
| OPERATING EXPENSES | | | |
| Salaries | \$ 93,150 | \$ 73,189 | \$ 166,339 |
| Equipment Maintenance and Rental | 16,263 | 12,778 | 29,041 |
| Building Expenses | 10,809 | 8,493 | 19,302 |
| Travel | 6,252 | 4,913 | 11,165 |
| Accounting and Auditing | 9,576 | 7,524 | 17,100 |
| Postage and Printing | 25,866 | - | 25,866 |
| Credit Card Fees | 9,778 | 7,682 | 17,460 |
| Depreciation and Amortization | 5,258 | 4,131 | 9,389 |
| Insurance | 10,096 | 7,933 | 18,029 |
| Awards Program | 23,892 | - | 23,892 |
| Flight Expenses | 5,593 | - | 5,593 |
| Directors Meetings | 1,354 | - | 1,354 |
| Dues and Fees | 2,696 | 2,118 | 4,814 |
| Office Expense | 6,164 | 4,844 | 11,008 |
| Convention Expenses | 1,758 | 1,382 | 3,140 |
| Telephone | 354 | 278 | 632 |
| Miscellaneous Expenses | 6,783 | 5,329 | 12,112 |
| TOTAL OPERATING EXPENSES | <u>\$ 235,642</u> | <u>\$ 140,594</u> | <u>\$ 376,236</u> |

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

ORDER OF DAEDALIANS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Total |
|--|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Increase (Decrease) in Net Assets | \$ 38,780 |
| Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities: | |
| Depreciation and Amortization | 9,389 |
| Unrealized (Gain)/Loss on Investments | (178,401) |
| Changes in Operating Assets: | |
| Decrease (Increase) in Prepaid Expenses | (4,187) |
| Changes in Operating Liabilities: | |
| Increase (Decrease) in Accrued Expenses | 5,689 |
| Increase (Decrease) in Due to Daedalians Foundation | (47,936) |
| Increase (Decrease) in Accrued Liability for Future Dues | 24,837 |
| NET CASH PROVIDED (REQUIRED) | (151,829) |
| BY OPERATING ACTIVITIES | (151,829) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Proceeds from/(Purchase of) Investments | 132,814 |
| Decrease (Increase) in Accrued Interest | 975 |
| NET CASH PROVIDED (REQUIRED) | 133,789 |
| BY INVESTING ACTIVITIES | 133,789 |
| NET INCREASE (DECREASE) IN CASH | (18,040) |
| CASH AT BEGINNING OF YEAR | 95,039 |
| CASH AT END OF YEAR | \$ 76,999 |
| Interest Paid | \$ - |

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

ORDER OF DAEDALIANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Order of Daedalians (the Order), a Texas non-profit corporation, is a national fraternity of commissioned military pilots. The Order was formally instituted in 1934 and originally comprised World War I pilots with the intent to perpetuate a spirit of patriotism and love of country. The Order advocates for air and space power and honors those who flew and fly in defense of the United States of America. The primary programs of the Order are as follows:

Flight Support: The Order supports and advises the activity of Flights, local Daedalian groups typically associated with specific military bases, posts and stations. The Flights are responsible for fundraising, awarding scholarships, running flight training, and other aspects of local membership. The continued existence of the Flights is vital to the long-term continuation of the Order.

National Convention: The national convention is held as decided by the Board of Directors. The convention hosts an Education Symposium on current airpower activities. The Convention also serves as a forum for Flight leadership to interact with the Order's Board of Directors. Lastly, the Convention hosts the annual member meeting, which is required by the by-laws of the Order.

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 U. S. 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 available for use in the general operations and not subject to donor restrictions. Grants and contributions gifted for recurring programs of the Order of Daedalians generally are not considered "restricted" under GAAP, though for internal reporting the Order of Daedalians tracks such grants and contributions to verify the disbursement matches the intent. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, board designated.

Net Assets With Donor Restrictions - Net assets subject to donor imposed restrictions that are more restrictive than the Order of Daedalians' 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.

ORDER OF DAEDALIANS
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2020

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. *Income Taxes*

The Order is exempt from state and federal income taxes under Section 501(c)(4) of the Internal Revenue 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 Order 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. *Prepaid Expense*

Prepaid expenses are expenses paid in advance of the period they are due. The prepaid expense consists of prepaid rent, prepaid lease, a prepaid event, and prepaid insurance.

E. *Investments*

The Order carries investments in marketable securities with readily determinable fair market values and all investments in debt securities at their fair market values in the accompanying balance sheets. Fair values are based on quoted market prices (Level 1 Inputs). Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Up to 50% of total investment can be invested in equities. No less than 50% of total investment should be invested in interest bearing deposits and debt instruments.

ORDER OF DAEDALIANS
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2020

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

F. Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

- Level 1 inputs – quoted prices in active markets for identical assets
- Level 2 inputs – quoted prices in active or inactive markets for the same or similar assets.
- Level 3 inputs – estimates using the best information available when there is little or no market.

The specific techniques used to measure fair value for financial statement elements are described in the notes following that relate to each element.

G. *Risks and Uncertainties*

The Order invests or holds a variety of investments, including common stock, corporate and governmental obligations and mutual funds. These investments are exposed to interest rate, market, credit and other risks depending upon the nature of the investment. Accordingly, it is reasonably possible that these factors will result in changes in the value of the Order's investments, which could materially affect the amounts reported in the financial statements.

H. *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.

I. *Revenue Recognition*

Contributions are recognized as revenue when a gift or pledge that is unconditional is received. Conditional promises to give are those with a measureable performance or other barrier and a right of return and are not recognized until the conditions on which they depend have been met. Grants and other contributions of cash and other assets are reported as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Revenue with donor restrictions that is received and expended according to those restrictions in the same year is recorded as revenue without donor restriction.

ORDER OF DAEDALIANS
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2020

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

J. *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.

K. *Depreciation*

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

| | <u>Years</u> |
|------------------------|--------------|
| Property | 20 |
| Furniture and Fixtures | 10 |
| Equipment | 5 |

L. *Deferred Revenue*

Deferred Revenue includes lifetime membership dues billed in advance and have been included in deferred revenue in the accompanying Statement of Financial Position. An actuarial study was performed to calculate lifetime dues.

M. *Compensated Absences*

Employees are entitled to paid vacation days depending on job classification and length of service. Accrued but unused vacation may be accumulated at a maximum of 72 hours which will be paid upon termination in addition to any compensatory time earned.

N. *Contributed Services*

Many members and other volunteers have made significant contributions of their time to develop and promote the programs of the Order. 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.

O. *Subsequent Events*

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

ORDER OF DAEDALIANS
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2020

NOTE 3 -- INVESTMENTS

Investments consist of marketable securities and debt instruments and are stated at fair market value as follows:

| | <u>Cost</u> | <u>Fair Market Value</u> | <u>Unrealized Gain (Losses)</u> |
|------------------------------------|---------------------|------------------------------|-------------------------------------|
| <u>Life Membership</u> | | | |
| Stocks & ETF's | \$ 871,207 | \$ 1,121,326 | \$ 250,119 |
| Corporate Bonds | 182,815 | 193,845 | 11,030 |
| Government Asset Backed Securities | 4,155 | 2,925 | (1,230) |
| Foreign Bonds | 37,922 | 39,600 | 1,678 |
| Municipal Bonds | 20,746 | 22,551 | 1,805 |
| Taxable Municipal Bonds | 196,648 | 206,773 | 10,125 |
| Government Bonds | 25,963 | 22,802 | (3,161) |
| Open End Mutual Funds | 477,587 | 733,420 | 255,833 |
| Total | <u>\$ 1,817,043</u> | <u>\$ 2,343,242</u> | <u>\$ 526,199</u> |

Gross gains and gross losses consist of the following:

| | |
|-----------------|-------------------|
| Gross Gains | \$ 178,401 |
| Gross Losses | - |
| Net Gain/(Loss) | <u>\$ 178,401</u> |

ORDER OF DAEDALIANS
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2020

NOTE 4 -- PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | |
|--------------------------------|-----------|
| Furniture and Fixtures | \$ 87,044 |
| National Headquarters Building | 314,850 |
| Building Improvements | 102,333 |
| Software | 1,270 |
| | 505,497 |
| Less Accumulated Depreciation | (455,016) |
| | \$ 50,481 |

NOTE 5 -- 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 Board of Trustees is achieved by affirmative vote of majority of the directors present. The Daedalian Foundation issues separately audited financial statements.

NOTE 6 -- DEFERRED REVENUES AND ACCRUED LIABILITY FOR FUTURE DUES

Deferred revenues for the general operating activities are comprised of dues for the 2020, 2021 and 2022 calendar years. The accrued liabilities for the life membership activities are funds that were contributed and expect to be amortized over the life expectancy of the members. Management prepares a projection based on the age of the prepaid members. At December 31, 2020, based upon management's projections, the funds required to meet future commitments are \$1,746,745 and the amount accrued is \$2,390,366.

NOTE 7 -- COMPENSATED ABSENCES

Employees are entitled to paid vacation days depending on job classification and length of service. As of December 31, 2020, accrued compensated absences in the amount of \$10,432 were included in accrued expenses.

NOTE 8 -- PREPAID EXPENSES

In the current year, prepaid expenses were made up of the following items:

| | |
|------------------------|-----------|
| | 2020 |
| Insurance | \$ 884 |
| Software Maintenance | 2,500 |
| Rent | 1,476 |
| Communication Services | 6,700 |
| Total | \$ 11,560 |

ORDER OF DAEDALIANS
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 DECEMBER 31, 2020

NOTE 9 -- COMMITMENT AND CONTINGENCY

In April of 2018, the National Order of Daedalians extended a revocable, five year lease with the Secretary of the Air Force for purposes of securing land to house their national headquarters. The lease began on April 1, 2018, and expires on March 31, 2023, with the Order required to pay \$6,081 per annum in advance.

NOTE 10 -- LIQUIDITY MANAGEMENT

There is currently approximately \$2.3 million in investments funds available for expenditures, if necessary; however, the Order estimates the amount needed to fund lifetime dues is approximately \$1.7 million. The availability of funds for operating expenditures is therefore calculated as follows:

| | |
|--|--------------------------|
| Cash | \$ 76,999 |
| Investments | 2,343,242 |
| Interest Receivable | 6,094 |
| Other Accrued Expenses | (10,432) |
| Due to Daedalians Foundation | (17,358) |
| Estimate of Fund Requirement for Life Dues | <u>(1,746,745)</u> |
| Total Financial Assets Available to Meet | |
| Cash for General Expenditure Needs | <u><u>\$ 651,800</u></u> |

Management has booked an accrued liability greater than the actuarial estimate of fund requirement for life dues. See Note 6, above.

NOTE 11 -- PAYROLL PROTECTION PROGRAM

The company received a forgivable loan through the Payroll Protection Program from the United States Federal Government in the amount of \$47,600 to be used for payroll, rent and utilities. The Company satisfied the obligations under the loan agreement and received notification of loan forgiveness from its financial institution on November 19, 2020. The Company has therefore recognized the loan forgiveness as Income in the Statement of Activities.

NOTE 12 -- LITIGATION

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



Discussion