

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

**Experimental Aircraft Association, Inc. and
EAA Aviation Foundation, Inc.**

February 28, 2023 and 2022

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Experimental Aircraft Association, Inc.

Board of Trustees
EAA Aviation Foundation, Inc.

Opinion

We have audited the consolidated financial statements of Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc. (the "Company"), which comprise the consolidated statements of financial position as of February 28, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of February 28, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

As discussed in Note A of the financial statements, the Company adopted new accounting guidance in 2023 related to the accounting for leases. Our opinion is not modified with respect to this matter.

Responsibilities of management for the financial statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position as of February 28, 2023 and 2022; consolidating statements of activities for the years ended February 28, 2023 and 2022; Experimental Aircraft Association, Inc.'s consolidated statements of financial position as of February 28, 2023 and 2022; Experimental Aircraft Association Inc.'s consolidated statements of activities for the years ended February 28, 2023, and 2022; EAA Aviation Foundation, Inc.'s statements of financial position as of February 28, 2023 and 2022; and EAA Aviation

Foundation, Inc.'s statements of activities for the years ended February 28, 2023 and 2022, are presented for purposes of additional analysis, rather than to present the financial position and results of operations of the individual entities, and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Appleton, Wisconsin
July 11, 2023

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

February 28,

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,049,331	\$ 8,282,227
Accounts receivable, less allowance for doubtful accounts of \$54,592 in 2023 and \$29,355 in 2022	697,219	645,352
Accounts receivable - related parties	-	707,648
Current portion of pledges receivable, less allowance for uncollectible pledges of \$74,951 in 2023 and \$88,596 in 2022	851,575	632,545
Inventories	1,423,166	884,345
Prepaid expenses	<u>2,020,856</u>	<u>1,816,737</u>
Total current assets	9,042,147	12,968,854
Pledges receivable , less current portion, unamortized discount and allowance for uncollectible pledges of \$67,291 in 2023 and \$36,620 in 2022	315,209	1,028,380
Investments - at fair value	56,030,615	54,861,258
Property and equipment		
Land improvements	7,268,047	7,101,319
Buildings	21,790,588	21,669,443
Leasehold improvements	23,532,537	22,753,421
Office furniture and fixtures	3,219,463	3,130,156
Computer equipment and software	8,949,301	9,515,341
Transportation and maintenance equipment	3,497,290	3,451,314
Museum display equipment	3,093,005	3,093,005
Aircraft equipment	85,510	85,510
Aircraft parts	1,106,253	1,129,537
Film library	152,574	152,574
Flyable aircraft	<u>3,362,335</u>	<u>3,405,441</u>
Total property and equipment	76,056,903	75,487,061
Less accumulated depreciation and amortization	<u>46,395,237</u>	<u>45,642,023</u>
	29,661,666	29,845,038
Land	4,461,413	4,461,413
Capital addition projects in progress	<u>9,134,125</u>	<u>4,842,871</u>
Net property and equipment	43,257,204	39,149,322
Other assets		
Operating lease right-of-use asset	775,472	-
Finance lease right-of-use asset, net	101,126	-
Collections	13,276,529	13,090,329
Beneficial interest in perpetual trust	3,041,588	3,603,383
Beneficial interest in split-interest agreements	190,402	230,993
Cash value of life insurance	<u>70,564</u>	<u>138,889</u>
Total other assets	<u>17,455,681</u>	<u>17,063,594</u>
Total assets	<u>\$ 126,100,856</u>	<u>\$ 125,071,408</u>

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

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED

February 28,

	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term debt	\$ 600,000	\$ 600,000
Current portion of gift annuity liability	10,124	10,124
Accounts payable	1,277,042	1,269,398
Accounts payable - related parties	219,736	1,243,471
Accrued expenses and other payables	2,233,050	1,905,606
Current portion of unearned income	9,517,808	8,812,903
Current portion of operating lease obligations	273,192	-
Current portion of finance lease obligations	28,279	-
	<hr/>	<hr/>
Total current liabilities	14,159,231	13,841,502
Operating lease obligations , less current portion	421,535	-
Finance lease obligations , less current portion	75,234	-
Long-term debt , less current portion	2,800,000	3,400,000
Gift annuity liability , less current portion	134,528	134,528
Unearned income , less current portion	9,342,399	8,267,089
	<hr/>	<hr/>
Total liabilities	26,932,927	25,643,119
Net assets		
Without donor restrictions	67,749,944	67,581,484
With donor restriction	31,417,985	31,846,805
	<hr/>	<hr/>
Total net assets	99,167,929	99,428,289
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Total liabilities and net assets	<u>\$ 126,100,856</u>	<u>\$ 125,071,408</u>

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

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended February 28, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support			
Membership dues and subscriptions	\$ 6,303,479	\$ -	\$ 6,303,479
Advertising	2,180,603	-	2,180,603
Rentals	5,498,217	-	5,498,217
Admissions and registrations	14,006,085	-	14,006,085
Merchandise sales	3,372,542	-	3,372,542
Commissions and royalties	2,362,132	-	2,362,132
Investment return	(1,591,556)	(1,062,545)	(2,654,101)
Change in beneficial interests	-	(602,384)	(602,384)
Administrative fees	1,595,803	-	1,595,803
Donations, cash and pledges	4,248,137	5,180,177	9,428,314
Donations, contributed services and property	1,531,627	(30,670)	1,500,957
Donations, sponsorship	2,559,359	-	2,559,359
Loss on disposal of property and equipment	(125,719)	-	(125,719)
Miscellaneous	480,191	-	480,191
Net assets released from restrictions	<u>3,890,129</u>	<u>(3,890,129)</u>	<u>-</u>
 Total revenues, gains and other support	 46,311,029	 (405,551)	 45,905,478
 Expenses			
AirVenture expenses	14,400,591	-	14,400,591
Membership services	5,619,525	-	5,619,525
Other program expenses	16,964,393	-	16,964,393
Management and general	7,456,311	-	7,456,311
Fundraising	<u>1,701,749</u>	<u>23,269</u>	<u>1,725,018</u>
 Total expenses	 <u>46,142,569</u>	 <u>23,269</u>	 <u>46,165,838</u>
 CHANGE IN NET ASSETS	 168,460	 (428,820)	 (260,360)
 Net assets at beginning of year	 <u>67,581,484</u>	 <u>31,846,805</u>	 <u>99,428,289</u>
 Net assets at end of year	 <u>\$ 67,749,944</u>	 <u>\$ 31,417,985</u>	 <u>\$ 99,167,929</u>

The accompanying notes are an integral part of this consolidated financial statement.

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended February 28, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Membership dues and subscriptions	\$ 5,966,339	\$ -	\$ 5,966,339
Advertising	2,095,001	-	2,095,001
Rentals	4,850,536	-	4,850,536
Admissions and registrations	11,718,492	-	11,718,492
Merchandise sales	2,824,071	-	2,824,071
Commissions and royalties	2,032,068	-	2,032,068
Investment return	926,720	1,489,698	2,416,418
Change in beneficial interests	-	45,560	45,560
Administrative fees	1,455,533	-	1,455,533
Donations, cash and pledges	3,495,329	2,375,143	5,870,472
Donations, contributed services and property	1,862,673	31,043	1,893,716
Donations, sponsorship	2,086,017	5,000	2,091,017
Gain on disposal of property and equipment	18,148	-	18,148
Grant revenues	4,495,542	-	4,495,542
Miscellaneous	374,079	-	374,079
Net assets released from restrictions	<u>6,221,392</u>	<u>(6,221,392)</u>	<u>-</u>
 Total revenues, gains and other support	 50,421,940	 (2,274,948)	 48,146,992
 Expenses			
AirVenture expenses	12,476,637	-	12,476,637
Membership services	4,684,985	-	4,684,985
Other program expenses	14,549,553	-	14,549,553
Management and general	6,683,538	-	6,683,538
Fundraising	<u>1,251,351</u>	<u>46,088</u>	<u>1,297,439</u>
 Total expenses	 <u>39,646,064</u>	 <u>46,088</u>	 <u>39,692,152</u>
 CHANGE IN NET ASSETS	 10,775,876	 (2,321,036)	 8,454,840
 Net assets at beginning of year	 <u>56,805,608</u>	 <u>34,167,841</u>	 <u>90,973,449</u>
 Net assets at end of year	 <u>\$ 67,581,484</u>	 <u>\$ 31,846,805</u>	 <u>\$ 99,428,289</u>

The accompanying notes are an integral part of this consolidated financial statement.

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended February 28,

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (260,360)	\$ 8,454,840
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	1,915,341	1,947,732
Amortization of right-of-use financing leases	13,446	-
Loss (gain) on disposal of property and equipment	125,719	(18,148)
Donations of collections	(212,960)	(822,550)
Loss (gain) on investments	3,680,471	(1,631,783)
Change in beneficial interests	602,384	(45,560)
Changes in operating assets and liabilities:		
Accounts receivable	(51,867)	(196,598)
Accounts receivable - related parties	707,648	(620,416)
Pledges receivable	494,141	83,389
Inventories	(538,821)	213,135
Prepaid expenses	(204,119)	(178,547)
Accounts payable	7,644	459,703
Accounts payable - related parties	(1,023,735)	1,009,415
Accrued expenses and other payables	327,446	464,620
Unearned income	1,780,215	1,268,677
Change in operating right-of-use assets and lease obligations, net	(80,745)	-
Net cash provided by operating activities	<u>7,281,848</u>	<u>10,387,909</u>
Cash flows from investing activities:		
Proceeds from sale of investments	21,104,536	40,129,040
Purchases of investments	(25,927,604)	(38,489,974)
Purchases of property and equipment	(6,167,078)	(5,999,894)
Proceeds from disposal of property and equipment	18,136	9,484
Decrease in cash value of life insurance	68,325	-
Net cash used in investing activities	<u>(10,903,685)</u>	<u>(4,351,344)</u>
Cash flows from financing activities:		
Payments of long-term debt	(600,000)	(600,000)
Proceeds from Paycheck Protection Program Loan	-	2,000,000
Forgiveness of Paycheck Protection Program Loans	-	(4,495,542)
Payments on finance lease obligations	(11,059)	-
Net cash used in financing activities	<u>(611,059)</u>	<u>(3,095,542)</u>
Net (decrease) increase in cash and cash equivalents	(4,232,896)	2,941,023
Cash and cash equivalents at beginning of year	<u>8,282,227</u>	<u>5,341,204</u>
Cash and cash equivalents at end of year	<u>\$ 4,049,331</u>	<u>\$ 8,282,227</u>
Supplemental disclosure of cash flow information		
Interest paid	\$ 91,086	\$ 52,577
Non-cash financing activities		
Operating lease right-of-use assets acquired with operating lease obligations	\$ 1,012,133	\$ -
Finance lease right-of-use assets acquired with finance lease obligations	114,572	-

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

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

February 28, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Experimental Aircraft Association, Inc. (the "Association") is a membership organization dedicated to growing participation in aviation by promoting the "Spirit of Aviation"; cooperating with and assisting governmental agencies in the development of programs related to aviation activities; promoting and encouraging aviation safety in the design, construction and operation of all types of aircraft; and promoting and encouraging grass roots efforts relating to aviation research and development. The Association accomplishes its mission by providing aviation-related education programs and services, encouraging and supporting clear pathways that ignite and nurture interest, providing a welcoming and supportive environment, creating opportunities to participate in all aspects of aviation, fostering the camaraderie and community of aviators and enthusiasts, and making aviation more accessible. Each year the Association holds its annual convention and fly-in, AirVenture, in Oshkosh, Wisconsin. AirVenture's primary purpose is aviation-oriented education. AirVenture hosts approximately 800 exhibitors, and more than 1,400 workshops, forums and special events during the weeklong event in pursuit of that goal.

The purpose of the EAA Aviation Foundation, Inc. (the "Foundation") is to receive, hold and invest endowment funds, and remit earnings therefrom to support the Association in promoting aviation education, safety and technology. The Foundation also owns and maintains certain buildings and museum assets to benefit the educational, charitable and scientific purpose of the Association.

A summary of the Association's and Foundation's significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows.

Principles of Consolidation

The consolidated financial statements as of and for the years ended February 28, 2023 and 2022, include the accounts of the Association and the Foundation, and the Association's subsidiaries, Blue Sky Holdings, LLC and EAA STC, LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Association and the Foundation consider all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Receivables are stated net of any allowance for doubtful accounts. The allowance for doubtful accounts is determined by considering the number of days past due, collection history and any specific circumstances related to an individual account. Accounts receivable are written off when they become uncollectible and payments subsequently received are credited to the allowance for doubtful accounts.

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

February 28, 2023 and 2022

Pledges Receivable

Promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed at the estimated risk-free interest rate applicable to the years in which the amounts promised are expected to be received. Amortization of these discounts is included in donations revenue.

Inventories

Inventories consist of merchandise goods, print shop materials, office supplies and aircraft spare parts. Merchandise goods, print shop materials and office supplies are determined by the average-cost method. Aircraft spare parts are valued at cost.

Investments

Investment transactions are recorded on the trade date. Realized gains and losses on the sale of investments are calculated on the basis of specific identification of the securities sold. Unrealized gains and losses are included in the change in net assets. Investment management fees are classified as a reduction in investment return for financial reporting purposes.

Investment securities are exposed to various risks including, but not limited to, interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term.

Property and Equipment

Property and equipment are recorded at cost, or, if donated, at the estimated fair value at the date of donation, and are depreciated and amortized using straight-line methods for book purposes over estimated useful lives. The lives used for depreciation and amortization purposes are as follows:

Land improvements	40 years
Buildings	40 years
Flyable aircraft	35 years
Office furniture and fixtures	7 years
Computer equipment and software	3 years
Transportation and maintenance equipment	5 to 7 years
Museum display equipment	12 years
Aircraft parts	Dependent on aircraft flight hours
Aircraft equipment	5 to 7 years
Film library	8 years

Leasehold improvements are depreciated over the lesser of their useful life or lease term.

Collections

The Foundation, together with the Association, maintain a collection of historic artifacts and archival materials related to the history of recreational aviation including aircraft, engines, aircraft components, books, periodicals, photographs, video and other artifacts. Collections are held for public exhibition, education or research. The Foundation and Association acquire its collections by purchase or by donation.

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

February 28, 2023 and 2022

Costs to acquire or restore collections are accumulated. Donated items are recorded at the estimated fair value as of the date of donation. Such values are meant to represent the intrinsic value of the item. Library items are recorded at cost when purchased or at fair value when donated. In accordance with U.S. GAAP, inexhaustible collections are not depreciated. Adjustments are recorded as required to reduce the collection to the lower of cost or fair value.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows.

Net Assets Without Donor Restrictions

Net assets available for general use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions

Net assets subject to donor-imposed restrictions. 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

Beneficial Interest in Perpetual Trust

The Foundation is the beneficiary of a trust created by one donor. The assets of the trust are not now and are never intended to be the property of the Foundation. The Foundation has an irrevocable right to a portion of the net income of the trust. The Foundation has no right pursuant to the terms of the governing trust instrument to determine or affect trust instruments, to remove or appoint the trustee(s), or to request distributions of income or principal. As required under U.S. GAAP, the Foundation is required to record its interest in the trust at fair value and classify it as net assets with donor restrictions. Distributions received from the trust are recorded as investment return within net assets with donor restrictions and the change in fair value is recorded as gains or losses within net assets with donor restriction. Distributions received from the trust totaled \$127,729 and \$121,515 for the years ended February 28, 2023 and 2022, respectively.

Revenue Recognition

The Association and Foundation recognize revenue in accordance with Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* (ASC 606). The Association recognizes revenue when control of the promised goods or services are transferred to outside parties in an amount that reflects the consideration the Association expects to be entitled to in exchange for those goods or services. The Association has identified membership dues and subscriptions, advertising fees, rentals, admissions and registrations, merchandise sales, commissions and royalties, and administrative fees as revenue categories subject to ASC 606. Generally, advance receipts are deferred to the applicable period when performance obligations are met, and receivables are generally due 30 days from the invoice date.

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

February 28, 2023 and 2022

A description of the Association's revenue categories accounted for under ASC 606 follows:

Membership dues and subscription revenues are recognized on a straight-line ratable basis over the terms of the various memberships. Membership dues, which include subscriptions, are purchased on an annual basis, and amounts received in advance are deferred to the applicable period. See Note G for discussion of unearned income. Subscription revenue is allocated based on comparable aviation publications market pricing and frequency. Membership dues revenue is allocated based on membership benefits received.

Advertising fees are recognized in the period in which the production costs are incurred for the related publication.

Events (including AirVenture) benefiting the Association and Foundation have various revenue streams, including admissions, registrations and rentals. Revenues from these events are recognized when the event occurs. Advance receipts from these events are deferred until the time of the event.

Merchandise sales are recognized when the sale occurs at the point of purchase.

Commissions and royalties are recognized over time as performance obligations are satisfied per each contract.

Administrative fees are recognized over time as performance obligations are satisfied per each contract. The promised services that meet the distinct criteria are combined with services that are substantially the same into one performance obligation as a series that have the same pattern of transfer. As such, revenue for those performance obligations is generally recognized as services are performed.

Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities.

Contributions

Contributions are recognized when cash, securities, or other assets; unconditional promises to give; or a notification of a beneficial interest is received. The Association and Foundation report contributions, including promises to give, as restricted support if they are received with donor stipulations that restrict the use of the donated assets. Conditional promises to give are recognized when the conditions on which they depend have been substantially met. Contributions that have restrictions that are met during the same year the contributions are received are recorded as net assets without donor restriction donation revenue. Contributions receivable are recorded at the present value of future estimated cash flows and net of an allowance for uncollectible contributions.

Sponsorship income is recognized as contributions when the Association or Foundation has substantially met conditions in accordance with the terms of the sponsorship agreement. Sponsorships support many programs, including AirVenture, and are recorded in the applicable period when the program activity or event takes place. Advance receipts for a future activity or events taking place in a subsequent fiscal year are classified as unearned income and were \$178,460 and \$257,125 for the years ended February 28, 2023 and 2022, respectively.

Special events revenue is recorded equal to the fair value of the direct benefits to donors, and contribution revenue is recognized for the excess received when the event takes place.

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

February 28, 2023 and 2022

In-Kind Donations

The Association and Foundation receive significant donations of professional services and other items, including equipment and supplies, property and rentals at no cost. The estimated value of the donated services and other items received was \$1,500,957 and \$1,893,716 for the years ended February 28, 2023 and 2022, respectively. These amounts have been included in revenues, gains and other support, and expenses have been increased by a like amount in the consolidated statements of activities.

	<u>2023</u>	<u>2022</u>
Professional services	\$ 496,000	\$ 373,000
Equipment and supplies	222,274	224,981
Rentals	159,560	336,005
Property	494,378	836,632
Shares of stock	38,221	123,098
Other	90,524	-
	<u>\$ 1,500,957</u>	<u>\$ 1,893,716</u>

Donations of professional services are valued and are reported at their estimated fair value in the financial statements based on current market rates for similar professionals.

Donations of other items, which includes equipment and supplies, property, rentals, and other items that would normally be purchased, are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized. These donations are valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. In-kind donations are not sold and are only available for program use.

In addition, volunteers have donated significant amounts of time to the Association in various capacities, which have not been reflected in the consolidated financial statements since they do not meet the criteria for recognition.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. Such costs include maintenance and occupancy, depreciation and management and general expenses, which are allocated on the basis of square footage occupied or resources used, or on the basis of the total direct cost of the benefiting program. See Note O.

Advertising Costs

The Association and the Foundation expense advertising costs as they are incurred. Advertising expense was approximately \$754,000 and \$668,000 for the years ended February 28, 2023 and 2022, respectively.

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

February 28, 2023 and 2022

Income Taxes

The Association has received a determination letter from the Internal Revenue Service (“IRS”), dated November 3, 1993, stating that it is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (“IRC”). The Foundation has received a determination letter from the IRS, dated October 30, 1964, stating that it is exempt from federal income tax under Section 501(c)(3) of the IRC. The Association and Foundation pay unrelated business income tax on certain of its activities, which are deemed to be unrelated to its exempt purpose.

As required by the uncertain tax position guidance, the Association and the Foundation recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Association and the Foundation applied the uncertain tax position guidance to all tax positions for which the statute of limitations remained open and determined there were no material unrecognized tax benefits as of February 28, 2023 and 2022.

There were no material interest or penalties related to income tax that have been accrued or recognized as of and for the years ended February 28, 2023 and 2022.

Leases

The Association adopted ASC Topic 842, *Leases* (Topic 842), as of March 1, 2022 using the current period adjustment method, which allows the guidance to be initially applied at the adoption date with a cumulative-effect adjustment to the opening balance of net assets. The Association elected the package of practical expedients to forego reassessing prior conclusions on whether any existing contracts contain a lease, the classification of any existing leases, and initial direct costs for any existing leases. The Association has also elected to not record leases whose total payments are less than \$1,000 over the term of the lease in accordance with Topic 842.

The Association determines whether an agreement is, or contains, a lease at inception. If a lease exists, then the agreement is reviewed to determine lease classification. The lease term used in this review may include the effect of options to extend or terminate the lease when it is reasonably certain that the option will be exercised. The Association accounts for lease and nonlease components as separate components. The Association believes that allocating consideration to lease and nonlease components based on quoted contract prices is not materially different than allocating the consideration based on separate stand-alone selling prices, and thus quoted contract prices are used.

The Association’s existing lease arrangements consist of both operating leases and finance leases. Beginning March 1, 2022, leases that have commenced are included as right-of-use (ROU) assets and as lease liabilities on the statement of financial position. Classification of lease liabilities as either current or noncurrent is based on the expected timing of payments due under the leasing agreements.

ROU assets represent the Association’s right to use an underlying asset for the lease term and lease liabilities represent the Association’s obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. When determining the present value of the lease payments, the Association uses the interest rate implicit in the lease if known. If not, an incremental borrowing rate over the remaining lease term is used, for which the Association has elected to use the risk-free rate as a practical expedient. ROU assets are recognized at the lease commencement date based on the initial measurement of the corresponding lease liabilities and then adding initial direct costs incurred and lease payments made at or before the commencement date, and subtracting lease incentives received from the lessor.

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

February 28, 2023 and 2022

At the commencement of a lease, the Association only includes the initial lease term unless the option to extend is reasonably certain. The Association has elected to not record leases with a term of 12 months or less in accordance with Topic 842. The Association recognizes lease expense for these short-term leases on a straight-line basis over the lease term. For all other operating leases, the Association recognizes lease expense on a straight-line basis, taking into account any adjustments made to the ROU asset.

New Accounting Pronouncements

As discussed above, the Association adopted Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors), as of March 1, 2022.

In September 2020, the Financial Accounting Standards Board (“FASB”) issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The guidance requires contributed nonfinancial assets to be presented as a separate line item on the statement of activities, apart from cash and other financial asset contributions. The guidance also requires disclosure of the types of contributed nonfinancial assets and, for each category, information about whether the assets were monetized or utilized, a description of the policies to monetize or utilize such assets, a description of donor-imposed restrictions associated with the contributions, and a description of the valuation techniques and principal market used to arrive at a fair value measure at initial recognition. The Association adopted this guidance during the year ended February 28, 2023.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“CECL”)*. ASU 2016-13 is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held. This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU requires enhanced disclosures to help financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of the Association’s portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the consolidated financial statements. In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*, which mitigate transition complexity for nonpublic business entities and clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, *Leases*. Subject to the one-year deferral noted above per ASU 2020-05, the amendments in ASU 2016-13 are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Association is currently evaluating the impact on the consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the 2022 financial statement presentation to conform to the 2023 presentation. There is no impact on net assets or change in net assets as previously reported.

NOTE B - CONCENTRATION OF CREDIT RISK

The Association and the Foundation have cash deposited in financial institutions in which the balance may exceed the federal government agency insured limit. The Association and the Foundation have not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

February 28, 2023 and 2022

NOTE C - DONOR CONCENTRATIONS

There were contributions from one donor representing 25% of the Association's and Foundation's donations for the year ended February 28, 2023.

There were no contributions from donors representing greater than 10% of the Association's and Foundation's donations for the year ended February 28, 2022.

NOTE D - PLEDGES RECEIVABLE

Pledges receivable are summarized as follows as of February 28:

	<u>2023</u>	<u>2022</u>
Unconditional promises to give before unamortized discount and allowance for uncollectible pledges receivable	\$ 1,309,026	\$ 1,786,141
Less: amortized discount	<u>67,291</u>	<u>36,620</u>
	1,241,735	1,749,521
Less: allowance for uncollectible pledges receivable	<u>74,951</u>	<u>88,596</u>
	<u>\$ 1,166,784</u>	<u>\$ 1,660,925</u>
Amounts due in:		
Less than one year	\$ 926,526	\$ 721,141
One to five years	<u>382,500</u>	<u>1,065,000</u>
	1,309,026	1,786,141
Less: unamortized discount and allowance	<u>142,242</u>	<u>125,216</u>
	<u>\$ 1,166,784</u>	<u>\$ 1,660,925</u>

NOTE E - INVESTMENTS

Investments at fair value consisted of the following as of February 28:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 8,473,194	\$ 1,994,633
Common stocks	2,099,140	2,807,392
Bond funds	9,233,174	13,653,371
Equity funds	24,353,136	25,738,072
Alternative Investments	<u>11,871,971</u>	<u>10,667,790</u>
	<u>\$ 56,030,615</u>	<u>\$ 54,861,258</u>

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

February 28, 2023 and 2022

Investment return consists of the following for the years ended February 28:

	<u>2023</u>	<u>2022</u>
Investment fees	\$ (134,599)	\$ (93,473)
Interest and dividends	1,160,979	878,108
Realized gain on investments	85,704	5,575,090
Unrealized loss on investments	<u>(3,766,185)</u>	<u>(3,943,307)</u>
	<u>\$ (2,654,101)</u>	<u>\$ 2,416,418</u>

NOTE F - LONG-TERM DEBT

Long-term debt consists of the following as of February 28:

	<u>2023</u>	<u>2022</u>
\$10,000,000 Town of Nekimi, Wisconsin Industrial Development Revenue Bonds, Series 2008; interest only payments through 2014 with annual principal payment of \$600,000 beginning in 2015, final payment due September 2028; interest at 72.5% of both the 30-day SOFR rate plus 150 basis points (effective rate of 4.41% and 1.54% at February 28, 2023 and 2022, respectively); secured by all equipment and fixtures acquired with the proceeds of the bonds	<u>\$ 3,400,000</u>	<u>\$ 4,000,000</u>
	3,400,000	4,000,000
Less: current maturities	<u>600,000</u>	<u>600,000</u>
	<u>\$ 2,800,000</u>	<u>\$ 3,400,000</u>

Letters of credit to satisfy Wisconsin unemployment tax requirements are provided by the Association and Foundation through U.S. Bank, N.A. in the amounts of \$150,626 and \$2,239, respectively. The letters of credit expire December 31, 2026. In addition, supporting lines of credit are provided for \$200,000 for the Association and \$5,000 for the Foundation. Both supporting lines of credit expire December 31, 2026. As of February 28, 2023 and 2022, there were no amounts outstanding on the supporting lines of credit. Interest on the lines of credit is the prime rate plus 150 basis points.

U.S. Bank, N.A. provides the Association a line of credit in the amount of \$3,000,000, which has an expiration date of December 31, 2023. There were no outstanding balances at February 28, 2023 and 2022, on this line of credit. Interest on the line of credit is at the daily Secured Overnight Financing Rate ("SOFR") plus 161 basis points.

The line of credit agreements and industrial development revenue bond contain a number of restrictive covenants, with which the Association was in compliance at February 28, 2023 and 2022.

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

February 28, 2023 and 2022

Future maturities of long-term debt as of February 28, 2022 is as follows for the years ending:

2024	\$	600,000
2025		600,000
2026		600,000
2027		600,000
2028		600,000
Thereafter		<u>400,000</u>
	\$	<u><u>3,400,000</u></u>

NOTE G - UNEARNED INCOME

Unearned income consists of the following items as of February 28:

	<u>2023</u>	<u>2022</u>
Unearned membership dues and subscription revenue	\$ 13,590,796	\$ 12,182,038
Exhibits	3,546,311	3,210,829
Other	<u>1,723,100</u>	<u>1,687,125</u>
Total	18,860,207	17,079,992
Less: current portion	<u>9,517,808</u>	<u>8,812,903</u>
Long-term unearned income	<u><u>\$ 9,342,399</u></u>	<u><u>\$ 8,267,089</u></u>

During April 2020, the Association entered into a Paycheck Protection Program (“PPP”) loan in the amount of \$2,442,637 under the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) as a result of the COVID-19 global pandemic. The PPP loan matured in fiscal year 2022 and carried a stated interest rate of 1%. Principal and interest payments were due monthly beginning August 2021. In March 2021, the Association was granted a second PPP loan in the amount of \$2,000,000 under the CARES Act. The second PPP loan matured in fiscal year 2026 and carried a stated interest rate of 1%. Both PPP loans were eligible for forgiveness under the CARES Act if the proceeds of the loan were utilized for eligible payroll and other non-payroll costs provided for under the agreement. Under guidance of ASC 958-605, *Not-for-Profit Entities - Revenue Recognition - Contributions*, the possibility of forgiveness is regarded as a conditional contribution until all conditions for forgiveness are met. The Association believed the possibility of loan forgiveness to be regarded as a contingent gain and therefore did not recognize the gain (and derecognize the loan) until all uncertainty was removed (i.e., all conditions of forgiveness are met). During the year ended February 28, 2022, the Association received notification that both the first and second PPP loan had been forgiven and recognized the grant revenue at that time.

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

February 28, 2023 and 2022

NOTE H - GIFT ANNUITIES

Assets held under a contractual obligation that provide a lifetime annuity to a non-charitable beneficiary are included in investments and are recorded at their fair value. The actuarially determined present value of the future annuity cash flows required to be paid to the donors or their beneficiaries is recorded as a liability in the consolidated statements of financial position. The discount rate used by the actuary was 6% as of February 28, 2023 and 2022. The difference between the fair value of the gift annuity assets and the actuarially determined present value of future annuity cash flows is recorded as donation revenue in the year the gift annuity is received. Subsequent changes are recorded in the consolidated statements of activities within management and general expenses.

NOTE I - RETIREMENT PLANS

The Association sponsors a money purchase pension plan for its employees. The plan provides a participant, at retirement, with his or her share of the investment account balance. Contributions are based on employee annual compensation. The Association contributes an amount equal to 7.14% of the employees' annual compensation plus 5.70% of employees' compensation in excess of the Social Security Taxable Wage Base. The total provision for pension costs were approximately \$600,000 and \$565,000 for the years ended February 28, 2023 and 2022, respectively.

The Association also sponsors a 403(b) retirement plan which permits employees to defer a portion of their compensation, subject to annual IRS limitations. There were no employer contributions to the 403(b) retirement plan for the years ended February 28, 2023 and 2022.

NOTE J - LEASE ARRANGEMENTS

Leases under ASC 840

The Association has various leases for its office space and certain premises located at Wittman Regional Airport. Prior to the adoption of ASC Topic 842 on March 1, 2022, the Association followed the lease guidance under Topic ASC 840. For the year ended February 28, 2022, expenses under these leases were approximately \$377,000. Future minimum rentals for non-cancellable leases as of February 28, 2022 were approximately as follows:

	<u>Operating Leases</u>
2023	\$ 333,500
2024	333,500
2025	300,400
2026	265,800
2027	264,500
Thereafter	<u>1,792,900</u>
Total	<u>\$ 3,290,600</u>

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

February 28, 2023 and 2022

Leases under ASC 842

The components of rent expense for the year ended February 28, 2023 were as follows:

Operating lease cost	\$ 1,318,845
Variable lease cost	106,470
Finance lease cost	
Amortization of ROU assets	13,446
Interest on lease liabilities	<u>1,817</u>
 Total	 <u>\$ 1,440,578</u>

On March 1, 2022, the Association recorded \$1,012,133 of operating lease ROU assets and operating lease liabilities upon adoption of ASC Topic 842. During the year ended February 28, 2023, the Association entered into new leases which resulted in additional ROU assets and liabilities of \$114,572 for financing leases.

Weighted average remaining lease terms (in years) and weighted average discount rates for outstanding leases were as follows for the year ended February 28, 2023:

Weighted-average remaining lease term - operating lease	4.8 years
Weighted-average discount rate - operating lease	1.75%
 Weighted-average remaining lease term - financing lease	 3.5 years
Weighted-average discount rate - financing lease	3.54%

Estimated future minimum rental payments under these leases at February 28, 2023, are as follows:

	<u>Operating Leases</u>	<u>Finance Leases</u>	<u>Total</u>
2023	\$ 282,964	\$ 31,427	\$ 314,391
2024	163,133	31,427	194,560
2025	148,189	31,427	179,616
2026	41,617	15,713	57,330
2027	7,590	-	7,590
Thereafter	<u>83,500</u>	<u>-</u>	<u>83,500</u>
 Total gross lease payments	 726,993	 109,994	 836,987
 Less: imputed interest	 <u>32,266</u>	 <u>6,481</u>	 <u>38,747</u>
 Total lease liabilities	 <u>\$ 694,727</u>	 <u>\$ 103,513</u>	 <u>\$ 798,240</u>

NOTE K - RELATED-PARTY TRANSACTIONS

Contributions include donations received from various related parties, including board members and trustees. The Association and Foundation recognized cash and non-cash contributions from related parties of approximately \$679,000 and \$1,037,000 during the years ended February 28, 2023 and 2022, respectively.

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

February 28, 2023 and 2022

The Association has three related parties, International Aerobatic Club, Inc., Warbirds of America, Inc. and EAA Vintage Association, Inc. (collectively, the "Entities"). The Entities are separate corporations, but no person may become a member of any of the Entities without first being a member of the Association. Each of the Entities pays an administrative fee to the Association for clerical services rendered to them. As part of these clerical services, the Association and the Foundation receive cash on behalf of the Entities, which result in accounts payable to these related parties. The tax-exempt purposes of the Entities are similar to the Association's tax-exempt purpose. These Entities are independent corporations who report their own income and expenses. Other than the fees charged to the Entities, no other financial transactions of the Entities are included in these consolidated financial statements.

Related-party transactions and year-end balances are as follows as of and for the years ended February 28:

	<u>2023</u>	<u>2022</u>
Payments from the Entities for data processing and other administrative services	\$ 661,290	\$ 585,948
Accounts payable to the Entities	219,736	1,243,471
Accounts receivable from the Entities	-	707,648

NOTE L - CONTINGENT LIABILITIES AND COMMITMENTS

The Association self-funds employees' medical expenses through a program under which it is responsible for the first \$65,000 of covered medical expenses per incident at February 28, 2023 and 2022. Claims of any incident in excess of these amounts are covered by an excess loss insurance policy. Claims expense and insurance costs under this program, including administrative expenses, net of employee contributions and any stop-loss recoveries, totaled approximately \$1,538,000 and \$1,160,000 for the years ended February 28, 2023 and 2022, respectively. The claims liability totaled approximately \$141,000 and \$95,000 as of February 28, 2023 and 2022, respectively, and is included in accrued expenses and other payables on the consolidated statements of financial position.

NOTE M - FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined 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 (that is, an exit price). The exit price is based on the amount that the holder of the asset or liability would receive or need to pay in an actual transaction (or in a hypothetical transaction if an actual transaction does not exist) at the measurement date.

Fair value is generally determined based on quoted market prices in active markets for identical assets or liabilities. However, if quoted market prices are not available, other valuation techniques that place greater reliance on market data (observable inputs) or other estimates and assumptions (unobservable inputs) are used. The hierarchy consists of three broad levels as follows:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 inputs that are either directly or indirectly observable (other market data), and may include:

- 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; and

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

February 28, 2023 and 2022

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Unobservable inputs developed using the Association's and the Foundation's estimates and assumptions, which reflect those that market participants would use.

The determination of where an asset or liability falls in the hierarchy requires significant judgment and depends on the lowest level input that is significant to the fair value measurement as a whole. The Association and the Foundation evaluate the hierarchy disclosures annually and, based on various factors, it is possible that an asset or liability may be classified differently from year to year. However, the Association and Foundation expect that changes in classification between different levels will be rare.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification pursuant to the valuation hierarchy. There have been no changes to the valuation methodologies used at February 28, 2023 and 2022. There were no transfers into or out of each level during the years ended February 28, 2023 and 2022.

Investments

When quoted market prices are available in an active market, securities are classified within Level 1 of the fair value hierarchy. The fair value of money market funds, common stocks, bond and equity funds with a readily determinable fair value are based on quotes obtained from national securities exchanges. The hedge fund and equity funds do not have a readily determinable fair value and are valued at the February 28, 2023 and 2022, net asset value ("NAV") per share, which is used as a practical expedient to estimate fair value. The value is determined by reference to the fund's underlying assets and is provided by the fund administrator.

Beneficial Interest in Perpetual Trust and Split-interest Agreement

Beneficial interests in perpetual trust and split-interest agreements are valued using the fair value of the assets in the trust unless facts and circumstances indicate that the fair value of the assets in the trust differs from the fair value of the beneficial interests.

Other Assets and Liabilities

The carrying amount of the Association's and the Foundation's financial instruments, which include accounts receivable, pledges receivable, accounts payable and accrued expenses, approximate their fair values at February 28, 2023 and 2022, due to their short maturities. The carrying value of long-term debt, including the current portion, approximates fair value because the interest rate approximates the current market rate of interest available to the Association and Foundation.

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

February 28, 2023 and 2022

however, there may be additional restrictions on the redemption of underlying funds. At its discretion, the fund may make quarterly tender offers in minimum amounts of \$100,000. There are no unfunded commitments.

(b) Equity fund - The investment strategy of this category is to exceed S&P Index performance during difficult periods of equity performance. Redemption from these funds is permitted quarterly with a 45-day notice; however, there may be additional restrictions on the redemption of underlying funds. There is \$2,500,000 in unfunded commitments.

The following is a reconciliation of beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended February 28:

	2023	2022
Beginning balance	\$ 3,834,376	\$ 3,788,816
Net (losses) gains, realized and unrealized, included in change in net assets	<u>(602,386)</u>	<u>45,560</u>
Ending balance	<u>\$ 3,231,990</u>	<u>\$ 3,834,376</u>

NOTE N - NET ASSETS

Without Donor Restriction

This portion of net assets is not restricted by donor-imposed stipulations or the passage of time.

Board-designated Endowment Funds

The Foundation board of trustees has designated a portion of the Foundation's net assets without donor restriction as funds functioning as endowment funds and they have been invested as such. The total amount of funds so designated totaled \$13,230,726 and \$13,922,102 at February 28, 2023 and 2022, respectively.

It is management's view that the applicable principles for categorization of the board-designated endowment fund should not be viewed as an indication that donations made over time to the Association or the Foundation to ensure the continuing availability of funds for education and preservation, including support of the operating costs of the Association, are available to the creditors of the Association.

Other Board-designated Funds

The Foundation board of trustees has directed management to designate funds received from the sale of artifacts as unavailable for general operations. As of February 28, 2023 and 2022, funds so designated totaled \$1,283,652 and \$1,104,952, respectively.

With Donor Restrictions

Net assets with donor restrictions are those net assets subject to donor-imposed stipulations that will be met by actions of the Association, the Foundation, the passage of time or a combination thereof.

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

February 28, 2023 and 2022

Net assets with donor restrictions are restricted for the following purpose or periods as of February 28:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Scholarships	\$ 3,382,180	\$ 1,479,758
Internships	129,209	108,283
Operations	25,805	25,805
Programs	1,408,851	1,027,346
Young Eagles	75,259	164,566
Capital	1,242,360	1,729,079
Aircraft preservation	90,502	-
Museum operations	8,610	5,135
	<u>6,362,776</u>	<u>4,539,972</u>
Subject to passage of time:		
Promises to give, not restricted by donors but unavailable until due	2,811	(20,106)
Assets held under split-interest agreements	190,403	230,994
	<u>193,214</u>	<u>210,888</u>
Total subject to expenditure for specific purpose and passage of time	6,555,990	4,750,860
Endowments:		
Subject to appropriation and expenditure for specified purpose:		
Scholarships	1,652,614	2,475,107
Internships	195,227	146,188
Operations	275,399	547,256
Museum exhibits	145,054	22,293
Air Academy	419,547	611,752
Programs	71,715	34,435
Young Eagles	444,838	1,020,035
Museum operations	57,983	106,481
Underwater funds	(224,925)	(106,224)
	<u>3,037,452</u>	<u>4,857,323</u>
Subject to endowment spending policy and appropriation:		
Scholarships	7,676,441	7,643,442
Internships	641,233	329,193
Operations	1,365,022	1,365,022
Museum exhibits	1,065,000	1,262,323
Air Academy	2,021,068	2,021,068
Programs	415,812	415,812
Young Eagles	5,187,534	5,187,534
Museum operations	410,845	410,845
	<u>18,782,955</u>	<u>18,635,239</u>
Not subject to spending policy or appropriation:		
Beneficial interest in perpetual trusts - donor restricted for programs	3,041,588	3,603,383
Total endowments	<u>24,861,995</u>	<u>27,095,945</u>
Total net assets with donor restrictions	<u>\$ 31,417,985</u>	<u>\$ 31,846,805</u>

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

February 28, 2023 and 2022

Net assets released from donor restrictions are as follows for the years ended February 28:

	<u>2023</u>	<u>2022</u>
Expiration of time restriction	\$ 11,637	\$ 37,120
Satisfaction of purpose restrictions:		
Scholarships	1,770,306	1,523,803
Young Eagles	399,019	270,594
Operations	-	2,500
Aircraft preservation	31,878	17,872
Project 21	880,534	3,477,855
Other programs	<u>107,132</u>	<u>192,612</u>
	3,188,869	5,485,236
Satisfaction of restricted purpose distributions:		
Beneficial interest in perpetual trust	148,729	91,611
Restricted purpose spending policy distributions and appropriations:		
Scholarships	210,363	211,924
Young Eagles	197,364	222,703
Museum exhibits	5,910	46,452
Museum operations	20,851	18,706
Operations	54,902	62,917
Air Academy	51,504	43,662
Other programs	<u>-</u>	<u>1,061</u>
	<u>540,894</u>	<u>607,425</u>
	<u>\$ 3,890,129</u>	<u>\$ 6,221,392</u>

Endowment Net Assets

The Foundation endowment consists of individual funds established for a variety of educational, preservation and operational purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) adopted and enacted by the Wisconsin legislature, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the net assets with donor restrictions is classified as such until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the state of Wisconsin in its enacted version of UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the endowment funds;

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

February 28, 2023 and 2022

(2) the purposes of the Foundation and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Foundation; and (7) the investment policy of the Foundation.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in net assets with donor restrictions were \$224,925 and \$106,224 as of February 28, 2023 and 2022, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions with donor restrictions and continued appropriation for certain programs that was deemed prudent by the board of trustees.

The Foundation has adopted investment and spending policies for endowment assets, both board-designated endowment and other board-designated funds and net assets with donor restrictions, which attempt to provide a predictable stream of funding to support the Association programs while seeking to maintain the purchasing power of endowment assets. The Foundation has a spending policy of appropriating for distribution each year a percentage of its endowment funds average fair value over the prior three calendar year ends preceding the fiscal year in which the distribution is planned. The Foundation has adopted a spending policy percentage of 4% for 2023 and 2022. The Foundation Trustees meet regularly with investment managers to evaluate investment performance and monitor investment policies.

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

February 28, 2023 and 2022

Changes in endowment net assets for the years ended February 28:

	<u>Board- designated Funds</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, February 28, 2021	\$ 13,408,753	\$ 26,025,107	\$ 39,433,860
Investment return, net	821,160	1,318,562	2,139,722
New additions:			
Contributions	<u>374,460</u>	<u>390,601</u>	<u>765,061</u>
Total new additions	374,460	390,601	765,061
Appropriation of endowment assets for expenditures	(682,271)	(684,445)	(1,366,716)
Change in beneficial interest in perpetual trust	<u>-</u>	<u>46,120</u>	<u>46,120</u>
Endowment net assets, February 28, 2022	13,922,102	27,095,945	41,018,047
Investment return, net	(738,962)	(1,348,876)	(2,087,838)
New additions:			
Contributions	<u>911,553</u>	<u>345,040</u>	<u>1,256,593</u>
Total new additions	911,553	345,040	1,256,593
Appropriation of endowment assets for expenditures	(863,967)	(668,320)	(1,532,287)
Change in beneficial interest in perpetual trust	<u>-</u>	<u>(561,794)</u>	<u>(561,794)</u>
Endowment net assets, February 28, 2023	<u>\$ 13,230,726</u>	<u>\$ 24,861,995</u>	<u>\$ 38,092,721</u>

NOTE O - FUNCTIONAL EXPENSES

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Expenses are presented by functional classification in accordance with the overall service mission of the Association and Foundation. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include wages, benefits, professional services, administrative expenses, information technology, marketing, postage, printing, equipment rental, insurance, maintenance, occupancy, depreciation and others. These expenses are allocated on the basis of headcounts, time and effort, activity-based metrics, and square footage.

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

February 28, 2023 and 2022

For the year ended February 28, 2023, functional expense consists of the following:

	Program Activities				Supporting Activities			Total
	AirVenture	Membership Services	Other Program Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Personnel	\$ 2,765,015	\$ 2,447,274	\$ 6,264,467	\$ 11,476,756	\$ 4,025,969	\$ 636,575	\$ 4,662,544	\$ 16,139,300
Cost of goods sold	49,237	530	1,750,149	1,799,916	4,529	20,131	24,660	1,824,576
Postage and printing	76,756	2,157,913	225,721	2,460,390	366,453	25,755	392,208	2,852,598
Marketing	287,531	13,394	173,073	473,998	122,977	73,442	196,419	670,417
Fees for services	3,367,174	388,950	900,906	4,657,030	1,025,254	236,148	1,261,402	5,918,432
Meetings and travel	754,255	129,060	467,195	1,350,510	46,134	27,146	73,280	1,423,790
Equipment rental	2,783,485	8,269	191,126	2,982,880	24,011	96,683	120,694	3,103,574
Fulfillment and support	450,857	19,329	2,364,095	2,834,281	209,132	329,077	538,209	3,372,490
Financial service fee	-	-	892	892	-	-	-	892
Office and administrative	1,083,108	211,787	807,090	2,101,985	949,476	115,561	1,065,037	3,167,022
Aircraft expenses	281,415	28,177	1,012,999	1,322,591	36,806	3,979	40,785	1,363,376
Maintenance and occupancy	1,351,212	-	744,584	2,095,796	146,198	403	146,601	2,242,397
Insurance	558,261	138,023	1,073,025	1,769,309	253,982	138,990	392,972	2,162,281
Depreciation	592,285	76,819	989,071	1,658,175	245,390	21,128	266,518	1,924,693
Total expenses	\$ 14,400,591	\$ 5,619,525	\$ 16,964,393	\$ 36,984,509	\$ 7,456,311	\$ 1,725,018	\$ 9,181,329	\$ 46,165,838

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

February 28, 2023 and 2022

For the year ended February 28, 2022, functional expense consists of the following:

	Program Activities				Supporting Activities			Total
	AirVenture	Membership Services	Other Program Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Personnel	\$ 2,516,777	\$ 2,036,760	\$ 5,235,952	\$ 9,789,489	\$ 3,473,283	\$ 440,742	\$ 3,914,025	\$ 13,703,514
Cost of goods sold	54,176	579	1,495,968	1,550,723	6,813	4,138	10,951	1,561,674
Postage and printing	27,168	1,811,878	193,078	2,032,124	305,926	73,878	379,804	2,411,928
Marketing	308,400	33,508	138,729	480,637	130,789	62,469	193,258	673,895
Fees for services	2,900,377	291,271	591,856	3,783,504	1,012,273	137,188	1,149,461	4,932,965
Meetings and travel	524,511	51,564	346,858	922,933	36,686	21,428	58,114	981,047
Equipment rental	2,413,454	4,658	143,064	2,561,176	19,483	74,561	94,044	2,655,220
Fulfillment and support	337,180	97,218	2,109,684	2,544,082	227,015	327,916	554,931	3,099,013
Office and administrative	738,031	169,500	688,877	1,596,408	810,155	124,998	935,153	2,531,561
Aircraft expenses	207,055	12,091	952,881	1,172,027	76,505	611	77,116	1,249,143
Maintenance and occupancy	1,306,613	15,294	670,321	1,992,228	119,209	361	119,570	2,111,798
Insurance	535,853	93,938	987,081	1,616,872	196,204	22,920	219,124	1,835,996
Depreciation	607,042	66,726	995,204	1,668,972	269,197	6,229	275,426	1,944,398
Total expenses	\$ 12,476,637	\$ 4,684,985	\$ 14,549,553	\$ 31,711,175	\$ 6,683,538	\$ 1,297,439	\$ 7,980,977	\$ 39,692,152

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

February 28, 2023 and 2022

NOTE P - LIQUIDITY

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds according to an approved investment policy that invests funds based on operational, short-term and long-term needs. The Association invests in liquid investments with no or limited redemption limitations. The Association has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and lines of credit. See Note F for information about the Association's lines of credit and Note N for information on investment instruments.

In addition to financial assets available to meet general expenditures over the next 12 months, the Association operates with a budget that anticipates collecting sufficient revenue to cover general expenditures, debt service requirements and capital expenditures.

The following table reflects the Association's financial assets as of February 28, 2023 and 2022 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual or donor restrictions and board designations.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,382,601	\$ 7,387,720
Investments	21,563,360	14,538,720
Accounts receivable	<u>697,219</u>	<u>645,352</u>
 Total financial assets	 24,643,180	 22,571,792
 Less: amounts not available to be used within one year		
Funds subject to time and purpose restrictions	<u>(1,167,901)</u>	<u>(1,320,038)</u>
	<u>\$ 23,475,279</u>	<u>\$ 21,251,754</u>

The Foundation receives significant 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.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated endowments, contributions without donor restrictions and contributions with donor restrictions for use in supporting the Association's 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 administrative and general expenses, fundraising expenses and Association support commitments. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation's governing body meets annually to review and approve the Association's support commitments. See Note N for more information on the Foundation's endowments and spending policy. Due to this timing, the Foundation strives to maintain investments instruments available to meet annual general expenditures as noted above. See Note M for more information on investment instruments held by the Foundation and limitation on redemptions as noted.

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

February 28, 2023 and 2022

The Foundation's governing board has designated its unrestricted resources for endowment and other purposes. Those amounts are identified as board designated. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board. Therefore, these funds are included financial assets available to meet general expenditures within one year as noted in the table below:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,666,730	\$ 894,507
Investments	34,467,255	40,322,538
Pledges receivable	<u>851,575</u>	<u>632,545</u>
Total financial assets	36,985,560	41,849,590
Less: amounts not available to be used within one year:		
Endowments to be kept in perpetuity	(17,782,956)	(17,437,916)
Funds subject to time and purpose restrictions	<u>(9,455,104)</u>	<u>(9,254,475)</u>
	<u>\$ 9,747,500</u>	<u>\$ 15,157,199</u>

NOTE Q - SUBSEQUENT EVENTS

The Association and Foundation evaluated their February 28, 2023, consolidated financial statements for subsequent events through July 11, 2023, the date the consolidated financial statements were available to be issued. The Association and Foundation are not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

February 28, 2023

	Experimental Aircraft Association, Inc.*	EAA Aviation Foundation, Inc.	Eliminations	Consolidated Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,382,601	\$ 1,666,730	\$ -	\$ 4,049,331
Accounts receivable, less allowance for doubtful accounts of \$54,592	697,219	-	-	697,219
Accounts receivable - related parties	-	1,223,333	(1,223,333)	-
Current portion of pledges receivable, less allowance for uncollectible pledges of \$74,951	-	851,575	-	851,575
Inventories	1,423,166	-	-	1,423,166
Prepaid expenses	1,832,847	188,009	-	2,020,856
	<u>6,335,833</u>	<u>3,929,647</u>	<u>(1,223,333)</u>	<u>9,042,147</u>
Pledges receivable , less current portion, unamortized discount and allowance for uncollectible pledges of \$67,291	-	315,209	-	315,209
Investments - at fair value	21,563,360	34,467,255	-	56,030,615
Property and equipment				
Land improvements	6,645,385	622,662	-	7,268,047
Buildings	8,302,007	13,488,581	-	21,790,588
Leasehold improvements	23,532,537	-	-	23,532,537
Office furniture and fixtures	3,219,463	-	-	3,219,463
Computer equipment and software	8,949,301	-	-	8,949,301
Transportation and maintenance equipment	3,497,290	-	-	3,497,290
Museum display equipment	3,093,005	-	-	3,093,005
Aircraft equipment	85,510	-	-	85,510
Aircraft parts	1,106,253	-	-	1,106,253
Film library	152,574	-	-	152,574
Flyable aircraft	3,362,335	-	-	3,362,335
	<u>61,945,660</u>	<u>14,111,243</u>	<u>-</u>	<u>76,056,903</u>
Less accumulated depreciation and amortization	<u>35,560,637</u>	<u>10,834,600</u>	<u>-</u>	<u>46,395,237</u>
	26,385,023	3,276,643	-	29,661,666
Land	4,109,957	351,456	-	4,461,413
Capital addition projects in progress	1,504,115	7,630,010	-	9,134,125
	<u>31,999,095</u>	<u>11,258,109</u>	<u>-</u>	<u>43,257,204</u>
Net property and equipment				
	31,999,095	11,258,109	-	43,257,204
Other assets				
Operating lease right-of-use asset	1,776,159	-	(1,000,687)	775,472
Finance lease right-of-use asset, net	101,126	-	-	101,126
Collections	1,954,241	11,322,288	-	13,276,529
Beneficial interest in perpetual trust	-	3,041,588	-	3,041,588
Beneficial interest in split-interest agreements	-	190,402	-	190,402
Cash value of life insurance	-	70,564	-	70,564
	<u>3,831,526</u>	<u>14,624,842</u>	<u>(1,000,687)</u>	<u>17,455,681</u>
Total other assets				
	3,831,526	14,624,842	(1,000,687)	17,455,681
Total assets	<u>\$ 63,729,814</u>	<u>\$ 64,595,062</u>	<u>\$ (2,224,020)</u>	<u>\$ 126,100,856</u>

* Experimental Aircraft Association, Inc. balances are inclusive of Blue Sky Holdings, LLC and EAA STC, LLC.

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED

February 28, 2023

	Experimental Aircraft Association, Inc.*	EAA Aviation Foundation, Inc.	Eliminations	Consolidated Total
LIABILITIES AND NET ASSETS				
Current liabilities				
Current portion of long-term debt	\$ 600,000	\$ -	\$ -	\$ 600,000
Current portion of gift annuity liability	-	10,124	-	10,124
Accounts payable	1,133,557	143,485	-	1,277,042
Accounts payable - related parties	1,443,069	-	(1,223,333)	219,736
Accrued expenses and other payables	2,130,080	102,970	-	2,233,050
Current portion of unearned income	9,483,108	34,700	-	9,517,808
Current portion of operating lease obligations	1,273,879	-	(1,000,687)	273,192
Current portion of finance lease obligations	28,279	-	-	28,279
Total current liabilities	16,091,972	291,279	(2,224,020)	14,159,231
Operating lease obligations , less current portion	421,535	-	-	421,535
Finance lease obligations , less current portion	75,234	-	-	75,234
Long-term debt , less current portion	2,800,000	-	-	2,800,000
Gift annuity liability , less current portion	-	134,528	-	134,528
Unearned income , less current portion	9,342,399	-	-	9,342,399
Total liabilities	28,731,140	425,807	(2,224,020)	26,932,927
Net assets				
Without donor restrictions	33,830,773	33,919,171	-	67,749,944
With donor restriction	1,167,901	30,250,084	-	31,417,985
Total net assets	34,998,674	64,169,255	-	99,167,929
Total liabilities and net assets	\$ 63,729,814	\$ 64,595,062	\$ (2,224,020)	\$ 126,100,856

* Experimental Aircraft Association, Inc. balances are inclusive of Blue Sky Holdings, LLC and EAA STC, LLC.

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

CONSOLIDATING STATEMENT OF ACTIVITIES

For the year ended February 28, 2023

	Experimental Aircraft Association, Inc. *			EAA Aviation Foundation, Inc.			Eliminations	Consolidated
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
Revenues, gains and other support								
Membership dues and subscriptions	\$ 6,303,479	\$ -	\$ 6,303,479	\$ -	\$ -	\$ -	\$ -	\$ 6,303,479
Advertising	2,180,603	-	2,180,603	-	-	-	-	2,180,603
Rentals	5,498,217	-	5,498,217	1,009,703	-	1,009,703	(1,009,703)	5,498,217
Admissions and registrations	14,006,085	-	14,006,085	-	-	-	-	14,006,085
Merchandise sales	3,372,542	-	3,372,542	-	-	-	-	3,372,542
Commissions and royalties	2,358,074	-	2,358,074	4,058	-	4,058	-	2,362,132
Investment return	(810,969)	-	(810,969)	(780,587)	(1,062,545)	(1,843,132)	-	(2,654,101)
Change in beneficial interests	-	-	-	-	(602,384)	(602,384)	-	(602,384)
Administrative fees	2,828,617	-	2,828,617	-	-	-	(1,232,814)	1,595,803
Donations, cash and pledges	4,636,741	-	4,636,741	4,248,037	5,180,177	9,428,214	(4,636,641)	9,428,314
Donations, contributed services and property	1,284,036	-	1,284,036	247,591	(30,670)	216,921	-	1,500,957
Donations, sponsorship	2,559,359	-	2,559,359	-	-	-	-	2,559,359
Gain (loss) on disposal of property and equipment	36,872	-	36,872	(162,591)	-	(162,591)	-	(125,719)
Miscellaneous	479,196	-	479,196	995	-	995	-	480,191
Net assets released from restrictions	1,254,176	(152,137)	1,102,039	3,737,992	(3,737,992)	-	(1,102,039)	-
Total revenues, gains and other support	45,987,028	(152,137)	45,834,891	8,305,198	(253,414)	8,051,784	(7,981,197)	45,905,478
Expenses								
AirVenture expenses	14,399,611	-	14,399,611	980	-	980	-	14,400,591
Membership services	5,619,525	-	5,619,525	-	-	-	-	5,619,525
Other program expenses	17,770,878	-	17,770,878	5,725,158	-	5,725,158	(6,531,643)	16,964,393
Management and general	7,200,925	-	7,200,925	396,810	-	396,810	(141,424)	7,456,311
Fundraising	581,853	-	581,853	1,325,987	23,269	1,349,256	(206,091)	1,725,018
Foundation to association investment income transfer	-	-	-	1,102,039	-	1,102,039	(1,102,039)	-
Total expenses	45,572,792	-	45,572,792	8,550,974	23,269	8,574,243	(7,981,197)	46,165,838
CHANGE IN NET ASSETS	414,236	(152,137)	262,099	(245,776)	(276,683)	(522,459)	-	(260,360)
Net assets at beginning of year	33,416,537	1,320,038	34,736,575	34,164,947	30,526,767	64,691,714	-	99,428,289
Net assets at end of year	\$ 33,830,773	\$ 1,167,901	\$ 34,998,674	\$ 33,919,171	\$ 30,250,084	\$ 64,169,255	\$ -	\$ 99,167,929

* Experimental Aircraft Association, Inc. balances are inclusive of Blue Sky Holdings, LLC and EAA STC, LLC.

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

February 28, 2022

	Experimental Aircraft Association, Inc.*	EAA Aviation Foundation, Inc.	Eliminations	Consolidated Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 7,387,720	\$ 894,507	\$ -	\$ 8,282,227
Accounts receivable, less allowance for doubtful accounts of \$29,355	645,352	-	-	645,352
Accounts receivable - related parties	1,912,510	-	(1,204,862)	707,648
Current portion of pledges receivable, less allowance for uncollectible pledges of \$88,596	-	632,545	-	632,545
Inventories	884,345	-	-	884,345
Prepaid expenses	1,764,432	52,305	-	1,816,737
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	12,594,359	1,579,357	(1,204,862)	12,968,854
Pledges receivable , less current portion, unamortized discount and allowance for uncollectible pledges of \$36,620	-	1,028,380	-	1,028,380
Investments - at fair value	14,538,720	40,322,538	-	54,861,258
Property and equipment				
Land improvements	6,478,657	622,662	-	7,101,319
Buildings	8,180,862	13,488,581	-	21,669,443
Leasehold improvements	22,753,421	-	-	22,753,421
Office furniture and fixtures	3,130,156	-	-	3,130,156
Computer equipment and software	9,515,341	-	-	9,515,341
Transportation and maintenance equipment	3,451,314	-	-	3,451,314
Museum display equipment	3,093,005	-	-	3,093,005
Aircraft equipment	85,510	-	-	85,510
Aircraft parts	1,129,537	-	-	1,129,537
Film library	152,574	-	-	152,574
Flyable aircraft	3,405,441	-	-	3,405,441
	<hr/>	<hr/>	<hr/>	<hr/>
	61,375,818	14,111,243	-	75,487,061
Less accumulated depreciation and amortization	35,019,537	10,622,486	-	45,642,023
	<hr/>	<hr/>	<hr/>	<hr/>
	26,356,281	3,488,757	-	29,845,038
Land	4,109,957	351,456	-	4,461,413
Capital addition projects in progress	471,306	4,371,565	-	4,842,871
	<hr/>	<hr/>	<hr/>	<hr/>
Net property and equipment	30,937,544	8,211,778	-	39,149,322
Other assets				
Collections	1,954,241	11,136,088	-	13,090,329
Beneficial interest in perpetual trust	-	3,603,383	-	3,603,383
Beneficial interest in split-interest agreements	-	230,993	-	230,993
Cash value of life insurance	-	138,889	-	138,889
	<hr/>	<hr/>	<hr/>	<hr/>
Total other assets	1,954,241	15,109,353	-	17,063,594
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 60,024,864	\$ 66,251,406	\$ (1,204,862)	\$ 125,071,408

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED

February 28, 2022

	Experimental Aircraft Association, Inc.*	EAA Aviation Foundation, Inc.	Eliminations	Consolidated Total
LIABILITIES AND NET ASSETS				
Current liabilities				
Current portion of long-term debt	\$ 600,000	\$ -	\$ -	\$ 600,000
Current portion of gift annuity liability	-	10,124	-	10,124
Accounts payable	1,173,624	95,774	-	1,269,398
Accounts payable - related parties	1,243,471	1,204,862	(1,204,862)	1,243,471
Accrued expenses and other payables	1,821,624	83,982	-	1,905,606
Current portion of unearned income	8,782,481	30,422	-	8,812,903
Total current liabilities	13,621,200	1,425,164	(1,204,862)	13,841,502
Long-term debt , less current portion	3,400,000	-	-	3,400,000
Gift annuity liability , less current portion	-	134,528	-	134,528
Unearned income , less current portion	8,267,089	-	-	8,267,089
Total liabilities	25,288,289	1,559,692	(1,204,862)	25,643,119
Net assets				
Without donor restrictions	33,416,537	34,164,947	-	67,581,484
With donor restriction	1,320,038	30,526,767	-	31,846,805
Total net assets	34,736,575	64,691,714	-	99,428,289
Total liabilities and net assets	<u>\$ 60,024,864</u>	<u>\$ 66,251,406</u>	<u>\$ (1,204,862)</u>	<u>\$ 125,071,408</u>

* Experimental Aircraft Association, Inc. balances are inclusive of Blue Sky Holdings, LLC and EAA STC, LLC.

Experimental Aircraft Association, Inc. and EAA Aviation Foundation, Inc.

CONSOLIDATING STATEMENT OF ACTIVITIES

For the year ended February 28, 2022

	Experimental Aircraft Association, Inc. *			EAA Aviation Foundation, Inc.			Eliminations	Consolidated
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
Revenues, gains and other support								
Membership dues and subscriptions	\$ 5,966,339	\$ -	\$ 5,966,339	\$ -	\$ -	\$ -	\$ -	\$ 5,966,339
Advertising	2,095,001	-	2,095,001	-	-	-	-	2,095,001
Rentals	4,850,536	-	4,850,536	1,009,703	-	1,009,703	(1,009,703)	4,850,536
Admissions and registrations	11,718,492	-	11,718,492	-	-	-	-	11,718,492
Merchandise sales	2,824,071	-	2,824,071	-	-	-	-	2,824,071
Commissions and royalties	2,026,251	-	2,026,251	5,817	-	5,817	-	2,032,068
Investment return	122,629	-	122,629	804,091	1,489,698	2,293,789	-	2,416,418
Change in beneficial interests	-	-	-	-	45,560	45,560	-	45,560
Administrative fees	2,655,879	-	2,655,879	-	-	-	(1,200,346)	1,455,533
Donations, cash and pledges	3,990,413	-	3,990,413	3,496,718	2,375,143	5,871,861	(3,991,802)	5,870,472
Donations, contributed services and property	1,073,868	-	1,073,868	788,805	31,043	819,848	-	1,893,716
Donations, sponsorship	2,086,017	5,000	2,091,017	-	-	-	-	2,091,017
Gain on disposal of property and equipment	18,148	-	18,148	-	-	-	-	18,148
Grant revenues	4,495,542	-	4,495,542	-	-	-	-	4,495,542
Miscellaneous	373,450	-	373,450	629	-	629	-	374,079
Net assets released from restrictions	1,226,864	(117,935)	1,108,929	6,103,457	(6,103,457)	-	(1,108,929)	-
Total revenues, gains and other support	45,523,500	(112,935)	45,410,565	12,209,220	(2,162,013)	10,047,207	(7,310,780)	48,146,992
Expenses								
AirVenture expenses	12,476,637	-	12,476,637	-	-	-	-	12,476,637
Membership services	4,684,985	-	4,684,985	-	-	-	-	4,684,985
Other program expenses	15,358,732	-	15,358,732	4,997,413	-	4,997,413	(5,806,592)	14,549,553
Management and general	6,437,845	-	6,437,845	391,825	-	391,825	(146,132)	6,683,538
Fundraising	397,558	-	397,558	1,102,920	46,088	1,149,008	(249,127)	1,297,439
Foundation to association investment income transfer	-	-	-	1,108,929	-	1,108,929	(1,108,929)	-
Total expenses	39,355,757	-	39,355,757	7,601,087	46,088	7,647,175	(7,310,780)	39,692,152
CHANGE IN NET ASSETS	6,167,743	(112,935)	6,054,808	4,608,133	(2,208,101)	2,400,032	-	8,454,840
Net assets at beginning of year	27,248,794	1,432,973	28,681,767	29,556,814	32,734,868	62,291,682	-	90,973,449
Net assets at end of year	\$ 33,416,537	\$ 1,320,038	\$ 34,736,575	\$ 34,164,947	\$ 30,526,767	\$ 64,691,714	\$ -	\$ 99,428,289

* Experimental Aircraft Association, Inc. balances are inclusive of Blue Sky Holdings, LLC and EAA STC, LLC.

Experimental Aircraft Association, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

February 28,

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,382,601	\$ 7,387,720
Accounts receivable, less allowance for doubtful accounts of \$54,592 in 2023 and \$29,355 in 2022	697,219	645,352
Accounts receivable - related parties	-	1,912,510
Inventories	1,423,166	884,345
Prepaid expenses	<u>1,832,847</u>	<u>1,764,432</u>
Total current assets	6,335,833	12,594,359
Investments - at fair value	21,563,360	14,538,720
Property and equipment		
Land improvements	6,645,385	6,478,657
Buildings	8,302,007	8,180,862
Leasehold improvements	23,532,537	22,753,421
Office furniture and fixtures	3,219,463	3,130,156
Computer equipment and software	8,949,301	9,515,341
Transportation and maintenance equipment	3,497,290	3,451,314
Museum display equipment	3,093,005	3,093,005
Aircraft equipment	85,510	85,510
Aircraft parts	1,106,253	1,129,537
Film library	152,574	152,574
Flyable aircraft	<u>3,362,335</u>	<u>3,405,441</u>
Total property and equipment	61,945,660	61,375,818
Less accumulated depreciation and amortization	<u>35,560,637</u>	<u>35,019,537</u>
	26,385,023	26,356,281
Land	4,109,957	4,109,957
Capital addition projects in progress	<u>1,504,115</u>	<u>471,306</u>
Net property and equipment	31,999,095	30,937,544
Other assets		
Operating lease right-of-use asset	1,776,159	-
Finance lease right-of-use asset, net	101,126	-
Collections	<u>1,954,241</u>	<u>1,954,241</u>
Total other assets	<u>3,831,526</u>	<u>1,954,241</u>
TOTAL ASSETS	<u>\$ 63,729,814</u>	<u>\$ 60,024,864</u>

Experimental Aircraft Association, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED

February 28,

	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term debt	\$ 600,000	\$ 600,000
Accounts payable	1,133,557	1,173,624
Accounts payable - related parties	1,443,069	1,243,471
Accrued expenses and other payables	2,130,080	1,821,624
Current portion of unearned income	9,483,108	8,782,481
Current portion of operating lease obligations	1,273,879	-
Current portion of finance lease obligations	28,279	-
	<u>16,091,972</u>	<u>13,621,200</u>
Total current liabilities	16,091,972	13,621,200
Operating lease obligations , less current portion	421,535	-
Finance lease obligations , less current portion	75,234	-
Long-term debt , less current portion	2,800,000	3,400,000
Unearned income , less current portion	<u>9,342,399</u>	<u>8,267,089</u>
	<u>28,731,140</u>	<u>25,288,289</u>
Total liabilities	28,731,140	25,288,289
Net assets		
Without donor restrictions	33,830,773	33,416,537
With donor restriction	<u>1,167,901</u>	<u>1,320,038</u>
	<u>34,998,674</u>	<u>34,736,575</u>
Total net assets	34,998,674	34,736,575
Total liabilities and net assets	<u>\$ 63,729,814</u>	<u>\$ 60,024,864</u>

Experimental Aircraft Association, Inc.

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended February 28, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support			
Membership dues and subscriptions	\$ 6,303,479	\$ -	\$ 6,303,479
Advertising	2,180,603	-	2,180,603
Rentals	5,498,217	-	5,498,217
Admissions and registrations	14,006,085	-	14,006,085
Merchandise sales	3,372,542	-	3,372,542
Commissions and royalties	2,358,074	-	2,358,074
Investment return	(810,969)	-	(810,969)
Administrative fees	2,828,617	-	2,828,617
Donations, cash and pledges	4,636,741	-	4,636,741
Donations, contributed services and property	1,284,036	-	1,284,036
Donations, sponsorship	2,559,359	-	2,559,359
Gain on disposal of property and equipment	36,872	-	36,872
Miscellaneous	479,196	-	479,196
Net assets released from restrictions	1,254,176	(152,137)	1,102,039
	<u>45,987,028</u>	<u>(152,137)</u>	<u>45,834,891</u>
Total revenues, gains and other support	45,987,028	(152,137)	45,834,891
Expenses			
AirVenture expenses	14,399,611	-	14,399,611
Membership services	5,619,525	-	5,619,525
Other program expenses	17,770,878	-	17,770,878
Management and general	7,200,925	-	7,200,925
Fundraising	581,853	-	581,853
	<u>45,572,792</u>	<u>-</u>	<u>45,572,792</u>
Total expenses	45,572,792	-	45,572,792
CHANGE IN NET ASSETS	<u>414,236</u>	<u>(152,137)</u>	<u>262,099</u>
Net assets at beginning of year	<u>33,416,537</u>	<u>1,320,038</u>	<u>34,736,575</u>
Net assets at end of year	<u>\$ 33,830,773</u>	<u>\$ 1,167,901</u>	<u>\$ 34,998,674</u>

Experimental Aircraft Association, Inc.

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended February 28, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Membership dues and subscriptions	\$ 5,966,339	\$ -	\$ 5,966,339
Advertising	2,095,001	-	2,095,001
Rentals	4,850,536	-	4,850,536
Admissions and registrations	11,718,492	-	11,718,492
Merchandise sales	2,824,071	-	2,824,071
Commissions and royalties	2,026,251	-	2,026,251
Investment return	122,629	-	122,629
Administrative fees	2,655,879	-	2,655,879
Donations, cash and pledges	3,990,413	-	3,990,413
Donations, contributed services and property	1,073,868	-	1,073,868
Donations, sponsorship	2,086,017	5,000	2,091,017
Gain on disposal of property and equipment	18,148	-	18,148
Grant revenues	4,495,542	-	4,495,542
Miscellaneous	373,450	-	373,450
Net assets released from restrictions	1,226,864	(117,935)	1,108,929
	<u>45,523,500</u>	<u>(112,935)</u>	<u>45,410,565</u>
Total revenues, gains and other support			
	45,523,500	(112,935)	45,410,565
Expenses			
AirVenture expenses	12,476,637	-	12,476,637
Membership services	4,684,985	-	4,684,985
Other program expenses	15,358,732	-	15,358,732
Management and general	6,437,845	-	6,437,845
Fundraising	397,558	-	397,558
	<u>39,355,757</u>	<u>-</u>	<u>39,355,757</u>
Total expenses			
	39,355,757	-	39,355,757
CHANGE IN NET ASSETS	<u>6,167,743</u>	<u>(112,935)</u>	<u>6,054,808</u>
Net assets at beginning of year	<u>27,248,794</u>	<u>1,432,973</u>	<u>28,681,767</u>
Net assets at end of year	<u>\$ 33,416,537</u>	<u>\$ 1,320,038</u>	<u>\$ 34,736,575</u>

EAA Aviation Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

February 28,

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,666,730	\$ 894,507
Accounts receivable	1,223,333	-
Current portion of pledges receivable, less allowance for uncollectible pledges of \$74,951 in 2023 and \$88,596 in 2022	851,575	632,545
Prepaid expenses	<u>188,009</u>	<u>52,305</u>
Total current assets	3,929,647	1,579,357
Pledges receivable , less current portion, unamortized discount and allowance for uncollectible pledges of \$67,291 in 2023 and \$36,620 in 2022	315,209	1,028,380
Investments - at fair value	34,467,255	40,322,538
Property and equipment		
Land improvements	622,662	622,662
Buildings	<u>13,488,581</u>	<u>13,488,581</u>
	14,111,243	14,111,243
Less accumulated depreciation and amortization	<u>10,834,600</u>	<u>10,622,486</u>
	3,276,643	3,488,757
Land	351,456	351,456
Capital addition projects in progress	<u>7,630,010</u>	<u>4,371,565</u>
Net property and equipment	11,258,109	8,211,778
Other assets		
Collections	11,322,288	11,136,088
Beneficial interest in perpetual trust	3,041,588	3,603,383
Beneficial interest in split-interest agreements	190,402	230,993
Cash value of life insurance	<u>70,564</u>	<u>138,889</u>
Total other assets	<u>14,624,842</u>	<u>15,109,353</u>
Total assets	<u>\$ 64,595,062</u>	<u>\$ 66,251,406</u>

EAA Aviation Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION - CONTINUED

February 28,

	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of gift annuity liability	\$ 10,124	\$ 10,124
Accounts payable	143,485	95,774
Accounts payable - related parties	-	1,204,862
Accrued expenses and other payables	102,970	83,982
Current portion of unearned income	<u>34,700</u>	<u>30,422</u>
Total current liabilities	291,279	1,425,164
Gift annuity liability , less current portion	<u>134,528</u>	<u>134,528</u>
Total liabilities	425,807	1,559,692
Net assets		
Without donor restrictions	33,919,171	34,164,947
With donor restrictions	<u>30,250,084</u>	<u>30,526,767</u>
Total net assets	<u>64,169,255</u>	<u>64,691,714</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 64,595,062</u></u>	<u><u>\$ 66,251,406</u></u>

EAA Aviation Foundation, Inc.

STATEMENT OF ACTIVITIES

For the year ended February 28, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Rentals	\$ 1,009,703	\$ -	\$ 1,009,703
Commissions and royalties	4,058	-	4,058
Investment return	(780,587)	(1,062,545)	(1,843,132)
Change in beneficial interests	-	(602,384)	(602,384)
Donations, cash and pledges	4,248,037	5,180,177	9,428,214
Donations, contributed services and property	247,591	(30,670)	216,921
Loss on disposal of property and equipment	(162,591)	-	(162,591)
Miscellaneous	995	-	995
Net assets released from restrictions	3,737,992	(3,737,992)	-
	<hr/>	<hr/>	<hr/>
Total revenues, gains and other support	8,305,198	(253,414)	8,051,784
Expenses			
AirVenture expenses	980	-	980
Other program expenses	5,725,158	-	5,725,158
Management and general	396,810	-	396,810
Fundraising	1,325,987	23,269	1,349,256
Foundation to Association investment income transfer	1,102,039	-	1,102,039
	<hr/>	<hr/>	<hr/>
Total expenses	8,550,974	23,269	8,574,243
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	(245,776)	(276,683)	(522,459)
	<hr/>	<hr/>	<hr/>
Net assets at beginning of year	34,164,947	30,526,767	64,691,714
	<hr/>	<hr/>	<hr/>
Net assets at end of year	\$ 33,919,171	\$ 30,250,084	\$ 64,169,255
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EAA Aviation Foundation, Inc.

STATEMENT OF ACTIVITIES

For the year ended February 28, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support			
Rentals	\$ 1,009,703	\$ -	\$ 1,009,703
Commissions and royalties	5,817	-	5,817
Investment return	804,091	1,489,698	2,293,789
Change in beneficial interests	-	45,560	45,560
Donations, cash and pledges	3,496,718	2,375,143	5,871,861
Donations, contributed services and property	788,805	31,043	819,848
Miscellaneous	629	-	629
Net assets released from restrictions	<u>6,103,457</u>	<u>(6,103,457)</u>	<u>-</u>
Total revenues, gains and other support	12,209,220	(2,162,013)	10,047,207
Expenses			
Other program expenses	4,997,413	-	4,997,413
Management and general	391,825	-	391,825
Fundraising	1,102,920	46,088	1,149,008
Foundation to Association investment income transfer	<u>1,108,929</u>	<u>-</u>	<u>1,108,929</u>
Total expenses	<u>7,601,087</u>	<u>46,088</u>	<u>7,647,175</u>
CHANGE IN NET ASSETS	<u>4,608,133</u>	<u>(2,208,101)</u>	<u>2,400,032</u>
Net assets at beginning of year	<u>29,556,814</u>	<u>32,734,868</u>	<u>62,291,682</u>
Net assets at end of year	<u>\$ 34,164,947</u>	<u>\$ 30,526,767</u>	<u>\$ 64,691,714</u>