

# THE POWER OF BEING UNDERSTOOD

# THE U.S. NAVAL ACADEMY ALUMNI ASSOCIATION, INC. U.S. NAVAL ACADEMY FOUNDATION, INC.

## 2018 Audit Presentation



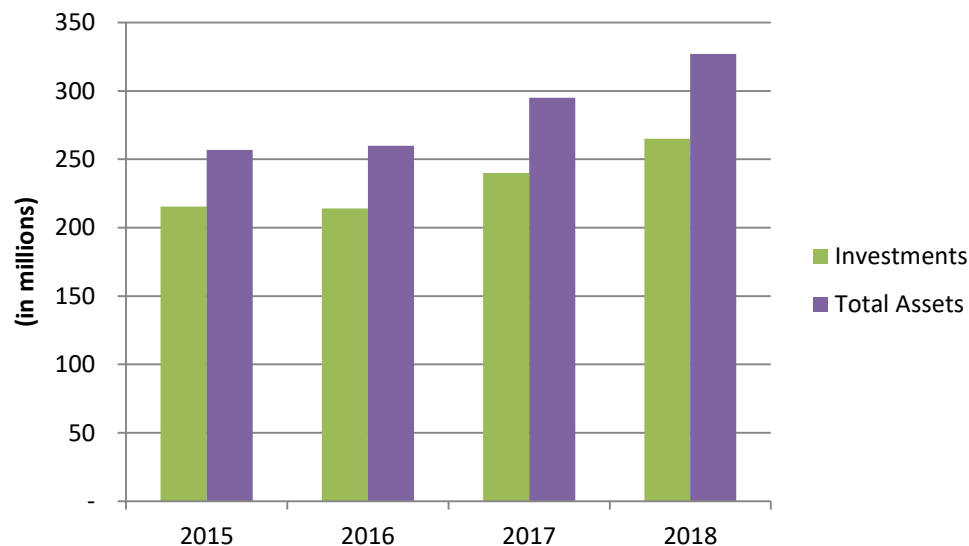
December 6, 2018

# Audited Financial Statements

- Issued an unmodified opinion on October 9, 2018
  - Covering the consolidated financial statements of the Alumni Association and the Foundation
- Principal takeaways during the audit process:
  - The financial health of the combined organizations is very strong, as evidenced by significant growth on the balance sheet, record contribution and pledge levels and strong support to the Naval Academy
    - Total assets and total net assets both increased over \$32 million compared with 6/30/17 to \$327 million and \$296 million, respectively
    - The consolidated investment portfolio now totals of \$265 million at 6/30/18, an increase of over 10% from 2017
    - Gross pledge receivables increased by 45% over 2017 to \$68 million
    - Naval Academy support totaled \$26 million, accounting for 62% of overall expenses

# Balance Sheet Growth

- Total assets have grown from \$260 million in 2016 to \$327 million in 2018, 26% increase and an 11% increase in the last year alone.

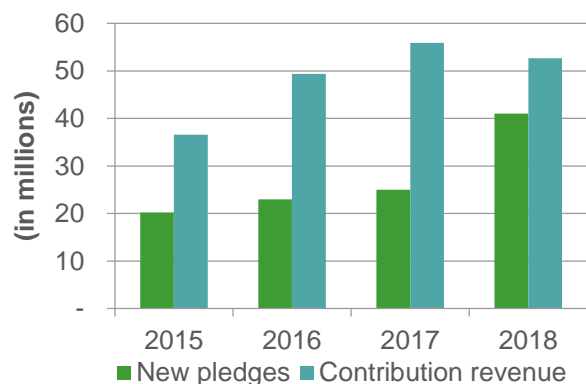


- The average not-for-profit maintains a ratio of 56% investments to total assets, while the combined organizations have assets consisting of 80% investments, evidencing continued financial health.

# Pledge Ratios

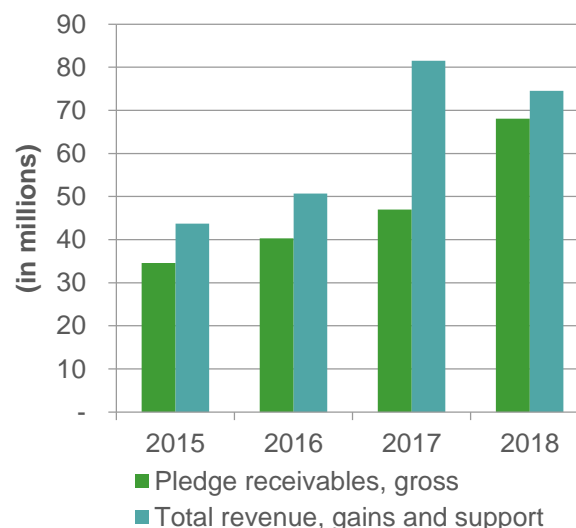
## New pledges to contribution revenue

- Long-term pledges accounted for nearly 75% of contribution revenue (up from between 45% and 55% over the previous 3 years), which demonstrates the successful use of creative planned giving arrangements.
- Pledge receipt timing is stretched out as far as 2054, with nearly 40% of receipts due in greater than 5 years.



## Gross pledges receivable to total revenue

- Ratio increased significantly in fiscal year 2018, which is in line with our client base and expectations given the lifecycle of the current campaign.



# Campaign progress and statistics

- Through FY2018, campaign has raised \$337 million of the \$400 million goal during the quiet phase (84%)
- Typically, NFP organizations only raise between 50-70% of their goal prior to the campaign becoming public
- Significant early support by key donors demonstrates a positive view of the campaign focus
- Strong efforts by the organization to raise funds and pave the way for a successful campaign to achieve the mission of supporting USNA for many years

# Conclusions

- Long-term view of stewardship of the organizations' assets in part evidenced by prudence of reduced annual endowment spending rate of 4% compared to average NFP draw of 5%
- Organizations are well positioned financially for the future, both for their continuing success, but also supporting USNA
- High level of integrity and dedication by staff as evidenced by no significant or material internal control deficiencies or audit adjustments