



DRAFT MINUTES
Board of Directors Meeting
4 December 2015

Board Members Present: Roger Carleton,'67, Chair; Vic Andrews,'66, Vice Chair; Jack Fry,'67, Treasurer; Mike Torreano,'70; Drew Miller,'80; Tamra Rank,'83; Steve Mueller,'79; Will Gunn,'80; Larry Fariss,'75; Mark Rosenow, '03.

Board Members (non-Voting) Present: Robert Munson, '73 Secretary; Garry Dudley, '68, President, Class Advisory Senate.

Board Members Attending via Teleconference: Kathleen Rock,'98; Cathy McClain, '82.

Board Members not Present: William Looney,'72; Larry New,'76; Wally Moorhead, '69.

AOG Staff Present: William "T" Thompson '73, President & CEO; Gary Howe '69, Exec. VP; Alton Parrish, CFO and Senior Vice President for Finance; Marty Marcolongo '88, Senior Vice President for Business; Bob McAllister, Senior VP for Communications; Corrie Grubbs, Vice President for Corporate & Association Relations; Emma Ross, Executive Assistant; Nick Johannsen, Programmer; Johnny Bollman, Help Desk.

Members and Guests Present: Gen (Ret) Stephen Lorenz '73, President, USAFA Endowment; Lt. Gen. Michelle Johnson, '81, Superintendent; Brian Binn '72, Chief, Development and Alumni Affairs; Jennifer Bateman, Vice President of Development, USAFA Endowment; Mike Rowe, Stockman Kast Ryan and Company, LLP

- I.** Chairman Carleton brought the meeting to order at 0830.
- II.** Consent Agenda Approval: Motion to approve the 7 August 2015 Meeting Minutes (Atch 1) was offered by Director Miller, seconded by Director Fariss and approved unanimously.
- III.** Agenda Approval: Chairman Carleton asked for changes to the agenda, and there were none.
- IV. Staff Report AOG Update**
 - A. AOG Mentoring Program**

CEO Thompson provided a background on the AOG move toward a mentoring program; he said that available electronic platforms, such as ISABRD, were lacking. He introduced SVP for Business Marty Marcolongo to provide more details. All the service academies were interested in upgrading their career services data platform and thus an agreement with a contractor was entered into this November, led by an Army career services person. There will be a mentoring program component built into the Air Force component. Delivery of the program is in January 2016, but any delays could push it back. However, the platform will be rolled out in the Service Academies Career Conference in May 2016. To a question on modeling the USN program by Director

Miller, CEO Thompson replied that the Navy program was expensive and funded by \$2M which was not affordable. SVP Marcolongo added that the Air Force mentoring portion will be modeled along the “Simplicity” career search program which has a mentoring piece built in; the model is used by over 1000 career centers, to include 99% of the top U.S. Law Schools. He provided the Board with a PowerPoint walkthrough on how the program would work (Atch 2). Secretary Munson questioned Brian Binn if the Academy would allow cadets to sign up for the mentoring program and was told “I don’t see why they couldn’t as long as it’s open to cadets as well as graduates”. Chairman Carleton asked SVP Marcolongo for an update at the February meeting.

B. Review of Restricted Funds

In response to a Board request, CFO Alton Parrish introduced the Board to the spreadsheet report (Atch 3) he prepared after meeting with the Chair and Treasurer. The review is broken down by the type of restricted funds received: capital campaign; donor restricted; quasi-endowment; and true endowment, with accumulated earnings. Where documentation exists for the establishment of the fund, the date is identified. Also included is the purpose for the fund, as specified in the documentation, what the fund is typically used for, who the original donor(s) was, and information about the most recent gifts to the Academy for each fund. The report includes the amount and date of the last gifts given to support the Academy, cadets, and scholarship recipients through the FY 2015 audit.

The far right column of the spreadsheet (Atch 3) shows our recommended disposition, if any, for those funds that haven’t provided funding to the Academy since the beginning of FY 2009, which was our conversion to the Financial Edge accounting software. Note the following:

1. The grayed cells identify the funds for which we don’t believe there should be any change, since those funds are used on a semi-regular basis. Those funds are available to support recurring needs.
2. Some funds show our recommended disposition – gifting, closing, or transferring to other funds. As an example, we recommend gifting the Olmsted cultural immersion and history symposium funds to CMA to support those programs; those amounts were returned to the AOG from the Treasury from unused prior year gifts.
3. The yellow highlighted funds include a possible disposition of unused funds, but are ones that the Board may want to pay particular attention to. There are twelve such funds.

For those funds that the Board decides should be closed and/or transferred to other funds, the approach for doing so should be as follows:

1. If the donor, or donor’s representative, is still alive and can be contacted – send a letter to the donor explaining that the AOG and Academy have concluded that the purpose for which the funds were established is no longer valid, and ask for permission to transfer the balance of funds to a current need of the Academy, the

graduate community, or to preserve the heritage of the institution. [I've included the copy of a draft letter I received from Navy a few years ago that we would tailor to our needs.]

2. If the donor can't be contacted, the balance of funds is below \$25,000, and the fund is not an endowment – annotate the Board's decision for each fund, and close, transfer, or gift the funds as identified.
3. For Board established or Board designated funds - annotate the Board's decision for each fund, and close, transfer, or gift the funds as identified.
4. For donor established endowments where the donor can't be contacted – petition the Colorado Attorney General to dissolve the fund, and transfer to another fund that supports the lawful purposes of the AOG once approval is received.

MOTION: Director Fry moved, and Director Gunn seconded, that the AOG's recommendations for the disposition of restricted funds, as presented in the FY 2016 Restricted Fund Review, be referred to the Finance and Investment Committee. After getting input from USAFA CMA on each of the funds the committee would provide its recommendations to the Board at the next meeting. The motion passed unanimously.

B. Quarterly Financial Report

CFO Alton Parrish provided a review of the Quarterly Financial Report with highlights of the funds, per GAAP and Cash basis, and review of the management and discussion comments (Atch 4).

C. CEO Monitoring Reports

CEO Thompson reported that, after review, he was in compliance with the following Executive Restrictions: 2.8 Compensation and Benefits, 2.10 Program/Events/Services, 2.12 Official Opinions or Recommendations, 2.13 AOG/USAFA Endowment MOU

D. Collaborative Tool (Slack)

Nick Johannsen, Communications, provided the Board with a tutorial on Slack. The program was provided in response to a recommendation by Director New for a trial of an online secure collaboration capability for the Board. Chairman Carleton asked the Board members to try this technology as they prepare for the next two meetings, and then assess its utility.

V. Committee Updates

B. Audit Committee

After a brief review of the audit process, Director Torreano introduced Mr Mike Rowe of Stockman Kast Ryan & Co, LLP, who presented their audit report on the 2015

finances of the AOG (Atch 5). He said that the audit went very well and that they had full access to all required documents. They issued an unmodified, or “clean”, opinion that all financials were in accordance with Generally Accepted Accounting Principles (GAAP). The only suggestion was the AOG should reclassify some of their assets to move some funds from ‘permanently restricted’ to ‘unrestricted’ as they were not restricted by external donors but rather controlled by the Board. This doesn’t affect the final total asset statement. He went on to say that the AOG had “a very strong balance sheet,” and then provided some details from the audit financials. As one example the program services as a percentage of total expenses were 77%; Charity Navigator awards their highest rating for those non-profits who stay above 75%.

Director Torreano commented that the service ratio is something the AOG and Board should keep an eye on as the percentage has gone from as much as 89% in the past to 78% last year, and 77% this year. Finally, Director Torreano added that the IRS Form 990 should be out for Director review by the end of the month prior to being filed with the IRS.

C. Finance & Investment Committee

Treasurer Fry reported that the committee would consider changes to the FMIP in response to the latest audit results as well as the report on restricted funds, and then bring any recommended changes to the Board.

D. Distinguished Graduate Award Committee Report

In the absence of the committee chair, CEO Thompson explained the process on how the Distinguished Graduates are selected. There are 12 nominees this year. The Distinguished Graduate Selection Committee consists of AOG Board Director Cathy McClain ’82 (Chair), AOG President & CEO William “T” Thompson, Lt Gen (Ret) Jay Kelley ’64, President of the Falcon Foundation; Gen (Ret) Steve Lorenz ’73, CEO USAFA Endowment; and Col Dale Holland ’87, Vice Commandant of Cadets. Relevant information about each nominee was sent to the selection committee where they scored the nominees based on the information provided. The decision meeting is scheduled for 9 December 2015 and the committee will look at the collective scores. The scores do not necessarily determine, but are influential in the deciding the DG. Once the selection has been made, it will go up to the Superintendent for concurrence. Once concurred, the selectees will be notified.

E. Nominating Committee

In the absence of committee chair, Director Rank provided Chairman New’s recommended non-Director committee members to the Board.

MOTION: Director Rank moves, and Director Andrews seconds, that the Board approve the following non-director graduate members to the Nominating Committee: Jack Catton ’76, Sue Desjardins ’80, Joan Cunningham ’81, Bob Kay ’78, Burt Field ’79. The motion passed unanimously.

F. Governance Committee

1. Managerial Accounting

Committee Chair Andrews reported the committee had considered the question as to whether the Board could task the AOG to provide detailed information on the management of its programs in accordance with the recommendation of Director Miller at the last meeting. After a number of discussions the committee concluded that requiring the CEO to report on all program details was in violation of our governance policies because it gets into the CEOs means of running his organization. However the Board may look into the details of programs on a case by case basis, when it deems it necessary in monitoring the CEO.

2. Policy Manual Chapter 2 Discussion

Director Moorhead was not present to provide his recommendations, but Chairman Carleton commented that the policy chapter was fairly mature and CEO Thompson said that he had no recommendations for change. The Chairman then asked that any discussion be deferred until the next meeting. Secretary Munson offered that if the next meeting considered whether motions should be offered then the Board could keep on its schedule.

G. Heritage and Traditions Committee

1. Committee Appointments

MOTION: Director Mueller moved, and Director Miller seconded, that the Board approve the following AOG members be added to the Heritage and Traditions Committee: Sue Ross '83 and Mark Wells '75. The motion was approved unanimously.

2. Heritage 'Lines of Operation'

The committee has discussed building a set of tools for the Academy to improve the teaching of heritage to cadets. An example would be to bring the AOCs to the SEA Pavilion for orientation to show them how they might use that area for teaching their cadets their heritage. Another idea the Commandant is interested in is for providing 'Heritage Mentors' to the squadron AOCs. The idea is not to force proposals on the Academy, rather to make these tools available to the Academy. Director Andrews noted that this idea had been tried in the past, lasted about 10 years, but that the key to success was the Commandant. Lacking support, the idea withered. Mueller noted that we will have 18 months with this Commandant.

The second concept is to provide a way for people to 'virtually' visit the SEA pavilion. They have met with some folks from the Smithsonian to consider some available technology. He described the CORONA participant's response to the SEA Pavilion as 'giddy' and their recommendation that the AOG redouble their

efforts on promoting heritage. The third concept is to help the AOG develop a vision for the Heritage Trail and develop ideas for providing ‘seed corn’ to execute the vision. Not all classes have the capability of the classes that funded the SEA Pavilion so the committee will be looking to develop a vision and for sources for the ‘seed corn.’

3. Shea Memorial Proposal

Chair Mueller reported that the committee’s recommendation is that the Class of ’89 Memorial would best be moved to a different location and that the process of adding names of all classmates who died from any cause was not appropriate for the intent of the Heritage Trail. The class has a loose leadership so the committee would discuss the problem with the Commandant first, who is a member of the class, and the class president. If the class can’t be persuaded to move the memorial location then it will recommend that the Board take action to stop the posting of deaths. USAFA/CMA representative Binn noted that the Academy has rejected similar memorial requests in the past and that there could be a problem if the class wanted to move their memorial outside the Heritage Trail AOG boundary.

4. War Memorial Nomination Procedures

Director Mueller reviewed the current AOG and Board policies on the process for approving names to be placed on the War Memorial, vice the Bylaws requirement for the Heritage Committee to make recommendations to the Board. The committee’s recommendation is to have a written Board policy that will include the Heritage Committee in the process, particularly for those graduate deaths that fall into ‘grey areas’ with respect to being war-related. Secretary Munson recommended that the Board policy on this go into the Policy Manual, and that it could be done within the Heritage Committee piece of that manual. He offered to write a proposed motion for the Committee Chair. The other parts of policy dealing with the War Memorial that do not apply to Board responsibilities could be addressed in an H&T operating instruction.

H. Awards and Recognition Committee

Director Rock introduced VP Corrie Grubbs to provide an update on the Young Alumni Excellence Award. VP Grubbs reported that the program’s webpage has gone live, the Chapter presidents were briefed and that the advertising campaign has been in effect for three weeks. To date there are four nominations, all active duty. Closeout date for a nomination is January 19th and that the scoring and recommendations will be done in time for the February Board meeting.

VI. Class Advisory Senate

Director Dudley reported that the CAS has been hard at work. The Senate approved an updated *Procedures for the Class Advisory Senate dated Nov 2015* and with that the OI Committee was dissolved. Larry Bagley ’66 has reviewed participation records and now is considering how to fill unfilled and inactive positions. Tom Fleming ’69 is lead agent for the next

iteration of *Moving Forward*. Scott Land '81 has surveyed the CAS members for the Technology and Social Media Committee and they are now considering CAS needs and possibilities. Chairman Carleton recommended that the CAS have SVP Marcolongo brief them on the mentoring program.

VII. Superintendent's Update: Lt. Gen. Michelle Johnson '81

Lt. Gen. Johnson provided a thorough update on the Academy from the Harmon Hall perspective. She started by reviewing what the Academy leadership had done in the past three years by reviewing all programs and then developing a corporate strategy. She then provided a comprehensive review of how the Academy was translating that corporate strategy into action with regard to Culture and Climate, Innovation and Integration, and Processes and Communications. In passing, she emphasized she was grateful for the leadership of all the non-profits that support the Academy. She acknowledged that there were preparations for a Comprehensive Campaign to support the Academy's 'margin of excellence' programs, and that they were thoroughly in support of it. "We want to make sure we fit in." Her staff had already developed priorities that they think are a good fit for the campaign.

VIII. Endowment Update

Before starting her presentation, USAFA Endowment VP for Development Jennifer Bateman reported that the Air Force Academy Fund was \$200K ahead of last year's pledges. VP Bateman then provided the Board with the status of the anticipated Comprehensive Campaign. She gave some detail on each of the 'six P' requirements for success: Plan, Priorities, People, Prospects, President, and Performance. In terms of people, the Endowment lacks the staff for a campaign; 12 additional hires would be required for a \$250M goal at an approximate cost of \$3.5M. The Endowment would like to initiate the Quiet Phase of a Comprehensive Campaign in 2017. The major priorities have been worked on this year. In this coming year, the Endowment must develop a communications plan, do a feasibility study, and build organizational readiness...it must begin to hire more staff. The expected length of the campaign would be seven years, ending in 2024. What is needed from the AOG: increased and enhanced engagement with graduates, communication support, emphasis on data acquisition and accuracy, and the AOG must provide its own clearly articulated priorities for inclusion in the campaign.

IX. Executive Session

In accordance with the Bylaws, the Board went into Executive Session to discuss matters relating to the relationship of the AOG and the Endowment, as well as the disbursement of funds from the Bennett estate. The following motions came out of this executive session:

MOTION: Director Torreano moved, and Director Fariss seconded, that the Board establish three quasi-endowments and fund them from the Bennett estate monies in the following amounts:

1. \$3,000,000 for Soaring program annual recurring needs fund
2. \$1,000,000 for a Bennett Scholarship Fund
3. \$500,000 for Cadet Aviation Programs

Furthermore, the Board sets aside an additional \$500,000 for one time needs of the Soaring program for such items as trucks, trailers, two competitive sailplanes, etc.

The motion passed unanimously.

MOTION: Director Andrews moved, and Director Mueller seconded, that the AOG support a Comprehensive Campaign by assisting the USAFA Endowment in two areas:

1. Fund half of the USAFA Endowment's feasibility study for such a campaign up to \$75,000.
2. Earmark up to \$500,000/year over three years toward the USAFA Endowment fund-raising staff, to be provided with sufficient lead time to benefit a Comprehensive Campaign.

The motion passed unanimously.

MOTION: Director Andrews moved, and Director Miller seconded, that the Soaring quasi-endowments not be charged the AOG's 0.75% annual management fee.

The motion failed 11-4 (For: Andrews, Miller, McClain, Rock).

Chairman Carleton recommended that discussion of the Bennett estate funds not currently tasked be the subject of discussion at the February meeting, and suggested that the Heritage Committee could offer a motion at that time if it wishes that a part of these funds be dedicated to Heritage.

X. Recognition and Presentation

On behalf of the entire AOG Board of Directors, Chairman Carleton thanked Gen Lorenz for his support of the AOG, his work to strengthen the relationship of the Endowment with the AOG, and his enthusiasm for support of the Academy and its graduates. Chairman Carleton presented a pair of small gifts to Gen Lorenz from the Board of Directors.

XI. Secretary Report

For this record, Secretary Munson noted that since the August meeting the Board concurred with the AOG staff decision to add the names of Capt Jordan Pierson '10 and Capt Matthew Roland '10 to the War Memorial.

XII. Adjournment

Chairman Carleton thanked everyone for their work and participation and reminded the Board of the next meeting on 5 February 2016; he adjourned the meeting at 17:10.

Note: Portions of the minutes have been rearranged from time sequence to topical sequence.

Respectfully submitted,

Emma Ross, Recorder
Bob Munson, Secretary

Attachments:

1. 7 August 2015 Board Minutes
2. Marcolongo presentation on mentoring platform construct
3. FY 2016 Restricted Funds Review
4. Sep 2015 Quarterly Financial Report

5. 2015 Independent Auditor Report