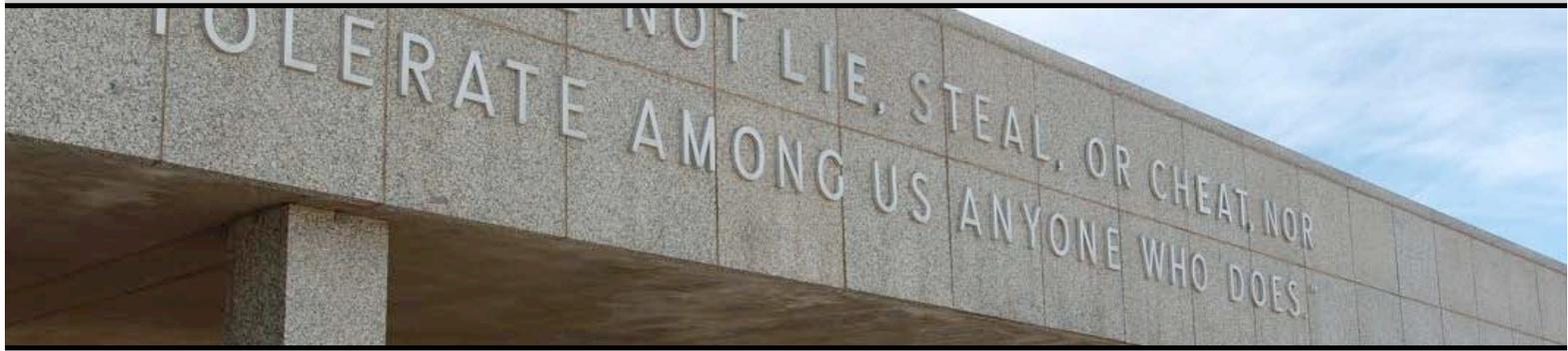
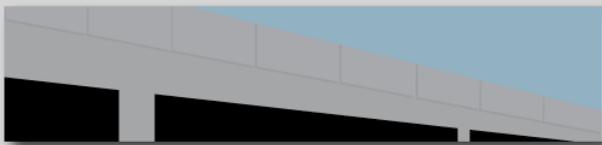


# 2007 Annual Report



USAFA Endowment, Inc.



A CHARITABLE FOUNDATION SUPPORTING  
THE UNITED STATES AIR FORCE ACADEMY

## BOARD OF DIRECTORS

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A. BART HOLADAY '65  
*CHAIRMAN*

TERRANCE M. DRABANT '65  
*VICE CHAIRMAN*

WILLIAM E. WECKER '63  
*TREASURER*

WILLIAM W. MAYWHORT, '68  
*SECRETARY*

JOHN M. FOX '63

TIMOTHY J. FYDA '79

MAX F. JAMES '64

JACK N. KUCERA '78

PAUL S. MADERA '78

RICHARD D. MCCONN '66

GILBERT D. MOOK '67

HARRY J. PEARCE '64

TERRENCE L. PETRZELKA '70

GEN (RET.) MICHAEL E. RYAN '65

RICHARD T. SCHLOSBERG III '65

WILLIAM H. SIMPSON '63

F. KEITH WITHYCOMBE '66

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### **USAFA ENDOWMENT, INC.**

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[www.usafaendowment.org](http://www.usafaendowment.org)

## Letter from the Chairman

*Dear Friends,*

The USAFA Endowment's first six months of operation are in the books and have been, by all accounts, a stunning success. Since July 12<sup>th</sup>, the date our organizing documents were initially filed, so much has taken place. In that short time the Endowment assembled a board of fifteen highly qualified and committed directors, hired its first staff members, raised over \$5.87 million and committed \$600,000 to support groundbreaking programs at the Air Force Academy. All of this was accomplished while much of the organization's attention was being devoted to the completion of its legal filings for non-profit status and the formalization of its structure and founding principles.



These founding principles, described in greater detail in the attached Annual Report, set the USAFA Endowment apart from any other charitable organization with which I am familiar. They are:

- No fees or deductions on any restricted gift
- Stewardship of gifts in perpetuity by a Board of donors, for donors
- Full transparency to donors of all financial activities
- A positive and supportive approach to the Academy and its leadership

We firmly believe, and have already observed, that these principles provide a powerful incentive, encouraging donors to invest their charitable funds in full confidence that they will be used to benefit the Academy. To this end, the first six months of our existence have also served to prove an important point – that the Air Force Academy community needs a permanent, independent, donor-driven, charitable foundation to provide significant financial resources in support of the institution.

Finally, I am looking forward to a wonderful first full-year of operation for the USAFA Endowment in 2008. This year holds great promise for our organization and the Academy that we support as we continue to build on the success of 2007. I believe the USAFA Endowment is uniquely positioned to serve the charitable needs of the Academy community and that it will do so with great enthusiasm for generations to come.

With sincere gratitude,

A handwritten signature in cursive script that reads "A. Bart Holaday".

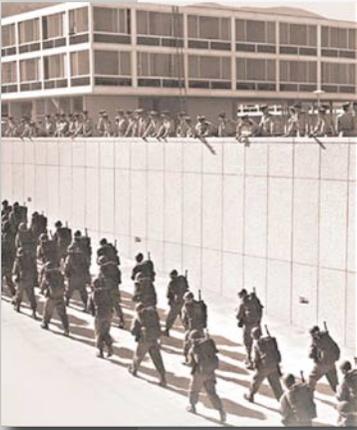
A. Bart Holaday '65

Chairman

# 2007 Annual Report

## The History of Private Support at the Air Force Academy

Private philanthropy has always been an integral part of the institution's landscape and culture. Many of the programs and places that graduates enjoyed during their own Academy experience were funded, in whole or in part, by private donations. A large number of graduates have fond memories generated in Falcon Stadium – a facility that was funded entirely by generous contributions from early Academy faculty, staff and supporters.



Over the years this tradition of private support for our public institution has continued and grown. In the past decade, graduates, parents and friends have donated more than \$50 million to enhance the quality of the educational experience at the Academy. These gifts have supported every aspect of cadet life: character development, athletic competition, academic discovery and military education. This generosity has elevated the reputation of our school and has promoted the development of Air Force officers with the highest personal and professional qualities, uniquely positioned to lead our military and our nation.

The last few years, however, have also been marked by some uncertainty over the future of private giving at the Academy – both (1) its role at a federally funded school, and (2) the proper structure required to effectively execute a comprehensive giving program. Both questions require careful attention.

## Why is Private Support Vital Today for the Academy?

In order to understand the importance of private giving at a federal institution, it is helpful to look at broader trends. Increasingly, state and federal resources earmarked for educational institutions are proving less than adequate in meeting the escalating financial requirements of the modern university. Classrooms have evolved from desks, notebooks and chalkboards to wireless laptops, multimedia presentations and just-in-time teaching delivery systems. All of these advancements cost money, and just as with other institutions of higher learning, the Academy's public funding stream will not keep pace. The Academy can no longer depend solely on public funding to attract the best minds, provide the best academic experience, and produce the most outstanding graduates. The Air Force Academy, like all other public universities, now requires significant private support to maintain its status as an elite educational and military institution.

Put another way, federal sources will fund the Academy to a level of sufficiency, but to attract and to train the finest leaders for the future, the Academy must be funded to a level of excellence. The difference between sufficiency and excellence is provided by private funding.

To meet this need, we chartered the USAFA Endowment, Inc. – a new and unique charitable foundation supporting the United States Air Force Academy. Our purpose is simple: to provide private funds in support of the Air Force Academy’s mission – building leaders of character for the Air Force and our nation.

We believe strongly, as many do, that our Academy is a vital national resource – one that is deserving of our emotional and financial support. The Academy’s mission is simply too important to leave to the vagaries of federal funding alone. As a result, the USAFA Endowment, Inc. has already and will continue to work actively to identify and to cultivate key relationships with current and potential Academy donors to support the Superintendent’s strategic priorities.

And while the answer to the first question has resulted in our establishment of the USAFA Endowment, our answer to the second question has informed our choices about its structure.

### **Why a New Type of Foundation?**

Donors know that the philanthropic purpose motivating their gift is not completed by the act of giving alone. Thoughtful donors require that the funds they have given and the project it has created or supported be closely watched and competently stewarded, during the donors’ lives and long after. For many generations, donors concerned about the future of their charitable gifts have employed charitable foundations to act for them as the legal entity empowered by law as the party responsive to the legitimate interests of the donor. In return, the charitable foundation’s commitment to the donor is much more than a mere expression of sentiment. The charitable foundation, operating without conflicts of interest, undertakes to manage responsibly and, if necessary, to defend the legitimate interests of the donor. The charitable foundation lives in perpetuity, as does the obligation of the foundation to look after the interests of the donor. Because of this, we also believe that any foundation, empowered and charged with the abiding stewardship of donated funds should be



## 2007 Annual Report

constituted in such a way as to ensure the permanency and efficacy of the gift. This requires a board structure that sees minimal turnover and is constituted of donors, for donors.

As a result, the founders of the USAFA Endowment chose to establish a new type of foundation and to memorialize several unique “founding principles” into the organizational bylaws. These founding principles make the USAFA Endowment unique among charitable foundations supporting higher education. They are:

- **NO FEES:** Gifts are directed simply and efficiently. All donations are used exclusively for their intended charitable purpose. No fees or deductions of any kind are assessed on restricted gifts, and all investment gains accrue entirely to the benefit of the intended charitable purpose. This is possible because the Founding Directors of the USAFA Endowment have agreed to fund an endowment whose income will fund operating expenses in perpetuity. The attraction to donors of knowing that 100 percent of their gifts will go to the intended charitable purpose is quite compelling.
- **STEWARDSHIP IN PERPETUITY:** The investment, safeguarding, and disbursement of restricted gift funds are made and controlled by the USAFA Endowment consistent with the donor’s directive. The independent Board of Directors oversees and directs these activities, thereby assuring proper stewardship of the gifts in perpetuity.
- **FULL TRANSPARENCY:** The above principles have complete audit and donor visibility annually. Audited annual reports are provided to each donor—both for the USAFA Endowment as a whole, and for each donor’s individual gift.
- **POSITIVE AND SUPPORTIVE APPROACH:** Our bylaws state that we aspire to be a positive and supportive partner of the USAFA and its leadership. We will not make any public pronouncements on the policy decisions of the Academy or the Air Force.

We believe that these principles create an organization in which our donors can feel completely confident that their investments will support the purposes for which they are given. Equally important, our donors are assured that their gifts will be carefully and consistently stewarded, as our bylaws require, without fear of future financial or organizational changes. Ultimately, we believe this is a foundation structure that offers donors the confidence they require to give generously and continually to the Academy.



# 2007 Annual Report

## Financial Report

As of December 31<sup>st</sup>, 2007, the USAFA Endowment, Inc. raised \$5,877,500 in cash and pledges and had received payments totaling \$931,850.

Of the total amount committed, \$3.05 million had been designated by donors to support specific Academy needs. More than \$1 million has been designated to support athletics, including the construction of an indoor practice facility and a state-of-the-art recruiting system to support Falcon Football. Additionally, the USAFA Endowment has raised \$1.9 million to support Character and Leadership Programs. Notably, the USAFA Endowment has already funded the Chair in Character and Leadership, now held by General Erv Rokke.

The remainder of the gifts and pledges in 2007 were dedicated by donors to support USAFA Endowment operations. The Founding Director Fund reached \$2,800,000 in commitments and the Annual Operating Fund hit \$27,500. These commitments will be used to underwrite the ongoing mission of the USAFA Endowment – to provide charitable support for the United States Air Force Academy.

These and other projects will be described in greater detail as we go forward in 2008 on our Endowment website at [www.usafaendowment.org](http://www.usafaendowment.org).



## Summary Financial Statement

Fund	Gifts from Donors			Gifts to USAFA and Endowment Operations		Investment Income	Balance
	Pledges	Received	Outstanding	Committed	Disbursed		
Founder's Operating Fund	\$ 2,800,000	\$ 599,350	\$ 2,200,650	\$ -	\$ 124,788	\$ 3,402	\$ 477,964
Annual Operating Fund	\$ 27,500	\$ 7,500	\$ 20,000	\$ -	\$ -	\$ 3	\$ 7,503
Chair in Character and Leadership	\$ 900,000	\$ 225,000	\$ 675,000	\$ 500,000	\$ 31,250	\$ 681	\$ 194,431
Center for Character and Leadership	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -
Flight Through Life Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Falcon Football	\$ 600,000	\$ 100,000	\$ 500,000	\$ 100,000	\$ -	\$ 398	\$ 100,398
Indoor Practice Facility	\$ 550,000	\$ -	\$ 550,000	\$ -	\$ -	\$ -	\$ -
<b>Totals</b>	<b>\$5,877,500</b>	<b>\$931,850</b>	<b>\$4,945,650</b>	<b>\$600,000</b>	<b>\$156,038</b>	<b>\$ 4,485</b>	<b>\$780,297</b>

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