stockman kast ryan + co LLP

USAFA ENDOWMENT, INC.

Financial Statements

For the Year Ended December 31, 2013

And

Independent Auditors' Report

USAFA ENDOWMENT, INC.

TABLE OF CONTENTS

stockman kast ryan + co LLP

INDEPENDENT AUDITORS' REPORT

Board of Directors
USAFA Endowment, Inc.
Colorado Springs, Colorado

We have audited the accompanying financial statements of USAFA Endowment, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2013 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Certified Public Accountants and Business Advisors | 102 N. Cascade Avenue, Suite 400, Colorado Springs, CO 80903
www.skrco.com telephone: (719) 630-1186
facsimile: (719) 630-1187

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USAFA Endowment, Inc. as of December 31, 2013 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited USAFA Endowment, Inc.'s 2012 financial statements and our report dated September 11, 2013 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan & Co., LLP

October 28, 2014

USAFA ENDOWMENT, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013 (with comparative totals for 2012)

	2013	2012
ASSETS		
Cash and cash equivalents	$ 5,922,594	$ 7,453,030
Investments	14,444,280	7,364,212
Promises to give, net	20,182,344	20,095,656
Prepaid expenses	52,763	51,192
Beneficial interest in split-interest agreement	137,912	165,928
Property and equipment, net	32,307	33,356
TOTAL ASSETS	$ 40,772,200	$ 35,163,374
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 113,920	$ 202,636
Gift commitments and funds held for others	3,415,391	5,577,241
TOTAL LIABILITIES	3,529,311	5,779,877
NET ASSETS		
Unrestricted	1,214,992	1,925,034
Temporarily restricted	36,027,897	27,458,463
Total net assets	37,242,889	29,383,497
TOTAL LIABILITIES AND NET ASSETS	$ 40,772,200	$ 35,163,374

See notes to financial statements.

USAFA ENDOWMENT, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013 (with comparative totals for 2012)

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Contributions	$ 2,596,792	$ 10,682,225	$ 13,279,017	$ 17,644,911
Net realized and unrealized gains on investments	183	1,619,461	1,619,644	624,783
Interest and dividends	73	141,768	141,841	189,644
Change in value of split-interest agreement		(28,016)	(28,016)	
Other	(369)		(369)	6,211
Net assets released from restrictions	3,846,004	(3,846,004)		
Total support and revenue	6,442,683	8,569,434	15,012,117	18,465,549
EXPENSES				
Program services	4,851,847		4,851,847	13,975,087
Supporting services:				
Fund raising	1,597,739		1,597,739	1,757,804
General and administrative	703,139		703,139	700,538
Total expenses	7,152,725	—	7,152,725	16,433,429
CHANGE IN NET ASSETS	(710,042)	8,569,434	7,859,392	2,032,120
NET ASSETS, Beginning of year	1,925,034	27,458,463	29,383,497	27,351,377
NET ASSETS, End of year	$ 1,214,992	$ 36,027,897	$ 37,242,889	$ 29,383,497

See notes to financial statements.

USAFA ENDOWMENT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013 (with comparative totals for 2012)

	2013				
		Supporting Services			
	Program Services	Fund Raising	General and Adminis-trative	Total	2012 Total
EXPENSES					
Programs:					
Academy graduate programs	$ 2,037,075			$ 2,037,075	$ 648,261
Superintendent’s discretionary programs	702,689			702,689	334,789
Falcon Stadium renovations	383,381			383,381	94,041
Martinson Academic Innovation	210,008			210,008	
Cadet International Programs	160,438			160,438	
Commandant's Fund for cadet activities	158,191			158,191	6,500
Rokke-Fox Senior Scholar	139,669			139,669	142,615
Class of ’70 – Southeast Asia Pavilion	112,128			112,128	
Miscellaneous Academy programs	108,163			108,163	13,031
Scowcroft Professor	102,455			102,455	102,770
Character and Leadership programs	89,500			89,500	
Risner Senior Military Scholar	88,482			88,482	60,000
Dean’s discretionary programs	60,626			60,626	186,389
Athletic Director’s discretionary programs	55,913			55,913	59,369
Max F. James Editor-in-Chief	50,321			50,321	
In-kind football travel	49,362			49,362	100,197
Intercollegiate athletic teams	44,448			44,448	19,737
Chapel programs	42,000			42,000	
Visiting Research Fellow in Character and Leadership	37,500			37,500	
Law Department	35,109			35,109	35,000
Aeronautics Department	30,054			30,054	
Eisenhower Center Senior Scholar	30,000			30,000	
Class of '63 gift	21,045			21,045	4,613
Air Force Academy Athletic Association	10,012			10,012	87,164
Jannetta Lectureship	10,000			10,000	10,000
Center for Character and Leadership Development	7,327			7,327	12,008,634
Class of '11 gift	2,174			2,174	
Holaday Athletic Center					26,643
Academy Preparatory School					10,003
Other	73,777			73,777	25,331

(Continued)

USAFA ENDOWMENT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013 (with comparative totals for 2012)

	2013				
		Supporting Services			
	Program Services	Fund Raising	General and Adminis-trative	Total	2012 Total
Salaries and benefits		$ 834,496	$ 505,645	1,340,141	1,430,191
Printing and copying		150,972	892	151,864	146,890
Professional fundraising		147,587		147,587	141,252
Travel		118,475	5,063	123,538	133,236
Professional fees		67,423	24,662	92,085	105,887
Occupancy		67,860	24,000	91,860	89,999
Conferences and meetings		24,335	53,646	77,981	135,919
Payroll taxes		47,995	29,763	77,758	83,094
Postage and shipping		51,209	716	51,925	42,771
Promotion and donor appreciation		18,767		18,767	42,592
Bank fees and charges			15,285	15,285	23,739
Supplies		11,941	2,839	14,780	11,988
Software		6,171	6,908	13,079	16,787
Depreciation		1,952	3,800	5,752	20,317
Other		48,556	29,920	78,476	33,680
TOTAL	$ 4,851,847	$ 1,597,739	$ 703,139	$ 7,152,725	
PERCENT OF TOTAL	68%	22%	10%	100%	
COMPARATIVE TOTALS – 2012	$ 13,975,087	$ 1,757,804	$ 700,538		$ 16,433,429
PERCENT OF TOTAL – 2012	85%	11%	4%		100%

(Concluded)

See notes to financial statements.

USAFA ENDOWMENT, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013 (with comparative totals for 2012)

	2013	2012
OPERATING ACTIVITIES		
Change in net assets	$ 7,859,392	$ 2,032,120
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized gains on investments	(1,619,644)	(624,783)
Depreciation	5,752	20,317
Contributions of investments	(2,884,288)	(3,924,242)
Change in value of split-interest agreement	28,016	
Changes in operating assets and liabilities:		
Promises to give	(86,688)	(2,849,617)
Prepaid expenses	(1,571)	853
Accounts payable and accrued expenses	(88,716)	9,642
Gift commitments and funds held for others	(2,161,850)	5,122,892
Net cash provided by (used in) operating activities	1,050,403	(212,818)
INVESTING ACTIVITIES		
Proceeds from sales of investments	6,449,903	9,884,614
Purchases of investments	(9,026,039)	(4,492,027)
Purchases of property and equipment	(4,703)	(2,000)
Net cash provided by (used in) investing activities	(2,580,839)	5,390,587
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,530,436)	5,177,769
CASH AND CASH EQUIVALENTS, Beginning of year	7,453,030	2,275,261
CASH AND CASH EQUIVALENTS, End of year	$ 5,922,594	$ 7,453,030

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — USAFA Endowment, Inc. (the Organization), a nonprofit corporation, was organized under the laws of the State of Delaware in July 2007. The mission of the Organization is to provide private funding to support the programs and capital needs of the United States Air Force Academy (the Academy) in Colorado Springs, Colorado. The Organization works actively to identify and to cultivate key relationships with current and potential Academy donors to support the Academy's strategic development priorities.

The founders of the Organization believe that a foundation, singularly charged with the abiding stewardship of donated funds and constituted in such a way as to ensure the permanency and efficacy of the gift, is the most effective structure for providing this support for the Academy. The founding donors have established a restricted fund which is a principal source of funding for the operating expenses of the Organization, now and for the future. This Founding Director Fund will enable all other program donations to be used exclusively for their intended purpose and no fees or deductions of any kind are assessed on restricted gifts. Investment gains will also accrue entirely for the benefit of the donor's intended charitable purpose.

The founding principles of the Organization include no fees on restricted contributions, stewardship in perpetuity for the Organization's management and administrative needs, transparency in financial reporting and a positive and supportive approach to the Academy.

Basis of Presentation — The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization has no permanently restricted net assets as of December 31, 2013 and 2012.

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Use of Estimates — The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 —The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents.

Investments — Investments are recorded at fair value. Realized and unrealized gains and losses are reflected in the statement of activities. Earnings on investments are recognized as an increase in unrestricted or temporarily restricted net assets according to the nature of the restrictions on the original gift. Donated investments are recorded at fair market value on the date of donation.

Promises to Give — Unconditional promises to give are recognized in the period received. Promises to give are recorded at net realizable value if expected to be collected within one year and at the present value of estimated future cash flows if expected to be collected in more than one year. The discounts on these amounts are computed using a risk adjusted discount rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization uses the allowance method to account for uncollectible promises to give. The allowance is based on historical experience and management's analysis of individual promises.

Beneficial Interest in Split-Interest Agreement — The Organization is designated as a remainder beneficiary under a charitable remainder trust. Under the terms of this agreement, the income beneficiaries (or their estate) receive distributions for a given term. At the end of the term, assets remaining in the trust, which represent the remainder interest of the Organization, will be transferred to the Organization. The Organization is neither the trustee nor does it exercise any control over the assets. The beneficial interest in these assets has been recorded at the present value of the estimated future benefits to be received.

Property and Equipment — All acquisitions of property and equipment in excess of $500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized at cost. Donated assets are recorded at fair market value on the date of the donation. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets, ranging from five to seven years.

Gift Commitments — Unconditional promises made by the Organization are recorded as a gift commitment liability and program services expense in the period the promise is made. Conditional promises are recognized when the conditions on which they depend are substantially made.

Contributions — Contributions received are recorded as increases in non-restricted, temporarily restricted, or permanently restricted net assets, depending on the existence and nature of any donor restrictions.

Contributed Goods, Services and Facilities — Donated material and equipment are recorded as contributions at their estimated value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The Organization records contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated.

For the years ended December 31, 2013 and 2012, the Organization received private airplane services in the amount of $49,362 and $100,197, respectively, which were used for program services. The Organization also received donated materials and services of $13,758 and $27,277 in 2013 and 2012, respectively.

Functional Allocation of Expenses — The cost of providing various program services and other activities has been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program and supporting expense categories based on management's estimates.

Income Taxes — The Organization is a qualified organization exempt from federal income taxes under the provisions of §501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction.

The Organization believes that it does not have any uncertain tax positions that are material to the financial statements. Tax years that remain subject to examination include 2010 through the current period.

Subsequent Events — The Organization has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. AGREEMENTS WITH THE ASSOCIATION OF GRADUATES

In November 2009, the Organization and the Association of Graduates of the United States Air Force Academy (the "AOG"), entered into a Memorandum of Understanding (the "2009 MOU") to establish a collaborative, comprehensive friendraising and fundraising process designed to raise increasing levels of charitable support for the Academy and to better serve the needs of the graduate community. The 2009 MOU was effective through December 31, 2011. In December 2011, the Organization and the AOG entered into a new Memorandum of Understanding (the "2011 MOU"). The 2011 MOU was effective on January 1, 2012 and remained in effect until December 31, 2013. In December 2013, the Organization and the AOG entered in another new Memorandum of Understanding (the "2013 MOU"). The 2013 MOU is effective on January 1, 2014 and remains in effect for a minimum of four years. Either party may terminate the 2013 MOU with 60 days written notice.

In connection with the 2011 MOU, effective January 1, 2012, the Organization and the AOG entered into an Operating Support Contract (the "Contract"). Pursuant to the principal provisions of the Contract, the Organization agreed to:

- Provide operating support of $600,000 per year (the Annual Operating Support) to the AOG from the first $1,900,000 of unrestricted annual fund receipts. The Annual Operating Support will be paid monthly in the amount of 37.5% of the total unrestricted annual fund receipts for the current month, but not less than $35,000 per month.

- Pay the AOG 45% of any unrestricted annual fund gifts received above a total amount of $1,900,000 received by the Organization during the calendar year.
- Pay the AOG $90,000 per year for services provided, to include rent of office space, furniture and equipment, data entry services, information technology support for hardware and software system and utilities. Payment is to be made in equal monthly installments. The fee for services provided in 2013 was adjusted using the change in the consumer price index.

In 2013, the Organization received $2,206,606 in unrestricted annual fund gifts from donors, resulting in Annual Operating Support to the AOG of $737,973. The AOG received $607,985 during 2013 resulting in a remaining commitment to the AOG of $129,988 as of December 31, 2013. In 2012, the Organization received $2,247,884 in unrestricted annual fund gifts from donors, resulting in Annual Operating Support to the AOG of $756,548. The AOG received $608,690 during 2012 resulting in a remaining commitment to the AOG of $147,858 as of December 31, 2012, which is recorded within gift commitments and funds held for others in the accompanying statement of financial position.

The 2011 MOU requires the Organization to make annual gifts of $300,000 to the Academy from the Organization's first $1,900,000 of unrestricted annual fund gifts. The Organization is also required to distribute to the Academy 10% of any unrestricted annual fund gifts received in excess of $1,900,000. As a result of this commitment, the accompanying statements of financial position as of December 31, 2013 and 2012 include gift commitments to the Academy of $339,222 (including $13,542 remaining from the 2012 allocation) and $398,504 (including $63,716 remaining from the 2011 allocation), respectively, which are available to be distributed to the Academy upon its request.

Under the 2013 MOU, effective January 1, 2014 annual fund cash receipts will be distributed as follows: 51% retained by the Organization, 34% distributed to the AOG and 15% made available to the Academy. The allocation to the Academy will be reviewed by a Joint Coordinating Committee after two years or sooner if the fundraising environment changes significantly. In the event that the Organization and AOG do not enter into another Memorandum of Understanding by December 31, 2017, the allocation of the annual funds will be: 21% to the Academy, 31% to the AOG and 48% retained by the Endowment.

Effective with the 2013 MOU, the operating support to the AOG and the annual gifts to the Academy are no longer contingent on a minimum level of unrestricted annual fund receipts. Accordingly, the Organization has recorded gift commitments to the AOG and the Academy equal to 34% and 15%, respectively, of the annual fund promises to give as of December 31, 2013.

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization is required to use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology 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;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Prices determined using significant unobservable inputs.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Mutual funds and common stocks are valued based on quoted market prices. Bonds are valued through pricing services. Real estate held for sale consists of a residential property donated to the Organization and is valued based on an appraisal performed in December 2013 using the sales comparison approach. See Note 5 regarding the valuation of the beneficial interest in split-interest agreement.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets stated at fair value as of December 31:

	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
2013:				
Investments:				
Domestic equity mutual funds	$ 7,710,986	$ 7,710,986		
International equity mutual fund	6,397,275	6,397,275		
Real estate held for sale	325,000		$ 325,000	
International common stocks	6,427	6,427		
Bonds	4,592		4,592	
Total investments	14,444,280	14,114,688	$ 329,592	$ —
Beneficial interest in split-interest agreement	137,912			137,912
Total assets at fair value	$ 14,582,192	$ 14,114,688	$ 329,592	$ 137,912

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2012:				
Investments:				
Bond mutual fund	$ 3,982,929	$ 3,982,929		
Domestic equity mutual funds	1,737,868	1,737,868		
International equity mutual fund	1,571,226	1,571,226		
Domestic common stocks	72,189	72,189		
Total investments	7,364,212	7,364,212	$ —	$ —
Beneficial interest in split-interest agreement	165,928			165,928
Total assets at fair value	$ 7,530,140	$ 7,364,212	$ —	$ 165,928

The following table show quantitative information about significant unobservable inputs related to Level 3 fair value measurements used as of December 31, 2013 and 2012:

	Valuation Technique	Unobservable Inputs	Inputs 2013	Inputs 2012
Beneficial interest in split-interest agreement	Discounted cash flows	Return on assets	4.0%	5.5%
		Discount rate	4.0%	5.5%

Changes in the estimated value of the beneficial interest in split-interest agreement are as follows:

Balance, December 31, 2011 and 2012	$ 165,928
Change in value	(28,016)
Balance, December 31, 2013	$ 137,912

4. PROMISES TO GIVE

Unconditional promises to give consist of the following at December 31:

	2013	2012
Due in less than one year	$ 9,493,867	$ 8,286,976
Due in one to five years	10,309,029	10,514,542
Due thereafter	982,929	1,959,917
Total	20,785,825	20,761,435
Discount to net present value of estimated cash flows	(603,481)	(665,779)
Promises to give, net	$ 20,182,344	$ 20,095,656

Management has estimated the expected future cash flows relating to promises to give and discounted the expected future cash flows to net present value using a risk-adjusted discount rate.

5. BENEFICIAL INTEREST IN SPLIT-INTEREST AGREEMENT

The Organization is the beneficiary of a charitable remainder unitrust (the Trust). One of the Trustees of the Trust is also a member of the Organization's Board of Directors.

Under the terms of the Trust, payments are to be made to the two donors during their lifetimes, or to the donor's estate following the death of the second donor, for a total period of 20 years. The annual payments equal 8% of the net fair value of the Trust assets valued as of the first business day of each Trust taxable year. The present value of the Organization's future benefits is calculated using a discount rate of 4.0% and 5.5% as of December 31, 2013 and 2012, respectively. The discount rate is based on the estimated annual investment return on the assets in the Trust. The Organization's beneficial interest in this remainder trust at the net present value is $137,912 and $165,928, respectively, at December 31, 2013 and 2012.

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2013	**2012**
Office equipment	$ 65,767	$ 59,969
Software	20,974	20,974
Other	22,972	22,972
Total	109,713	103,915
Less accumulated depreciation	77,406	70,559
Total	$ 32,307	$ 33,356

7. GIFT COMMITMENTS AND FUNDS HELD FOR OTHERS

The Organization's gift commitments and funds held for others consist of the following at December 31:

	2013	**2012**
The AOG	$ 1,442,070	$ 147,858
The Academy	751,722	398,504
Friends of the Air Force Academy Library	1,221,599	1,030,879
The Academy – Center for Character and Leadership Development		4,000,000
Total	$ 3,415,391	$ 5,577,241

See Note 2 regarding gift commitments to the AOG and the Academy resulting from agreements with those organizations.

During 2012, the Organization received funds to be held on behalf of Friends of the Air Force Academy Library (the Friends). As of December 31, 2013 and 2012, the Organization held $1,221,599 and $1,030,879, respectively, on behalf of the Friends.

During 2012, the Organization made a conditional promise to give $12,000,000 to the Academy towards the construction of the Center for Character and Leadership Development. This gift was conditional on the funds being used to provide facility enhancements to be included in the design and construction of the building. During 2012, the Organization delivered $8,000,000 of its gift commitment and, as of December 31, 2012, had a gift commitment of $4,000,000 for the remaining balance. This balance was paid during 2013.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets may be expended for the following purposes at December 31:

	2013	**2012**
Supporting services:		
Founding Director Fund	$ 9,148,622	$ 8,552,089
Mazet Memorial Fund	1,444,000	
USAFA Endowment Campaign Initiative Fund	1,460,606	
USAFA Endowment Fund	296,118	197,094
Other	33,214	
Program services:		
Center for Character and Leadership Development and related programs	15,667,436	11,960,321
Academic programs	2,568,469	1,918,255
Athletic programs	1,381,410	2,125,141
Academy programs	1,313,014	1,038,666
Holaday Athletic Center	538,354	534,951
Other funds	2,176,654	1,131,946
Total	$ 36,027,897	$ 27,458,463

9. CONCENTRATIONS

The Organization maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits.

As of December 31, 2013, approximately 14%, 12% and 11% of promises to give were from three individual donors. During 2013, the Organization received approximately 17% and 10% of its contributions from two individual donors.

As of December 31, 2012, approximately 16% and 13% of promises to give were from two individual donors. During 2012, the Organization received approximately 19% and 12% of its contributions from two individual donors.

10. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2013 and 2012, the Organization received $5,686,826 and $5,299,125, respectively, of contributions from members of its Board of Directors (including promises to give). Board members accounted for $6,505,469 and $6,796,696 of outstanding promises to give (before the discount to net present value) as of December 31, 2013 and 2012, respectively.

11. RETIREMENT PLAN

The Organization has adopted a SEP-IRA defined contribution retirement plan for its employees. Full-time employees are eligible for participation in the plan effective on the first day of their employment. Subject to federal limitations, the Organization makes a contribution, determined each pay period, of 11.1% of the employee's non-retirement compensation. For the years ended December 31, 2013 and 2012 the Organization's total contributions were $119,305 and $126,728, respectively.