

## **MEMORANDUM OF UNDERSTANDING**

*between*

**THE ASSOCIATION  
OF GRADUATES**

*and*

**THE USAFA ENDOWMENT**

### **PREAMBLE**

The Board of Directors of the Association of Graduates (the “AOG”) and the Board of Directors of the USAFA Endowment (the “Endowment”) hereby announce a Memorandum of Understanding (MOU) to establish a collaborative, comprehensive friendraising and fundraising process designed to 1) raise increasing levels of charitable support for the Academy; 2) better serve the needs of the graduate community; and 3) put an end to discord and confusion among graduates and other supporters that have been counter-productive for the Academy.

### **SHARED BELIEFS**

We share the following beliefs:

1. The Academy requires private charitable support to maintain its status as an elite institution.
2. Graduates of the Academy share a unique bond that lasts a lifetime; that bond requires artful cultivation to realize its full potential impact on the Academy, the graduate community and our nation.
3. As a national treasure, the Academy also enjoys the affection and support of non-graduates who want it to achieve even higher levels of excellence.
4. The Academy requires a world-class alumni/fundraising organization (the AOG). This organization needs to be properly resourced and well positioned within the Academy structure.
5. The Academy requires a fundraising entity (the Endowment) that maximizes the potential for future gifts and efficiently stewards all donations.

### **ORGANIZATIONAL STRUCTURE**

The agreed organizational structure for effectively raising money for the Air Force Academy and supporting the Association of Graduates mission has four key elements:

1. The Association of Graduates, responsible for maintaining and directing an organization of Air Force Academy alumni with the principal objectives of supporting the Air Force Academy

through advocacy, financial donations, graduate and cadet services and promoting the Academy's heritage. The AOG will retain and expand revenues from membership dues and sales of merchandise and services. The AOG retains the ability to accept additional tax-deductible donations to established funds and endowments. The AOG may also receive gifts to support AOG operations. The AOG will not actively solicit donations.

2. The Endowment, responsible for the solicitation, receipt and stewardship of all new private, tax-deductible financial gifts (including gifts to support the AOG).
3. A common enterprise, which unites the Association of Graduates and the Endowment as two legally independent organizations with separate Boards, under the terms of this MOU. The success of this enterprise relies on close cooperation of fundraising and friendraising activities.
4. A Joint Coordination Committee (the "JCC") (see Transition Coordination paragraph, below) that has the charter to advise both Boards and resolve other issues that are expressly agreed to and delegated by the respective Boards.

#### **NEAR-TERM ACTIONS**

1. The AOG and the Endowment anticipate an agreement in principle to establish the organization described herein by 1 January 2010, or earlier, if feasible.
  - A. The JCC will develop and finalize a contract based upon the principles contained in this MOU.
  - B. The JCC will approve an implementation plan for the succeeding twelve months that contains specific goals and objectives.
2. Upon signing of the contract and approval of the implementation plan, the Endowment staff will relocate to appropriate office space in Doolittle Hall with payment of market-level rent and other fees, as appropriate, provided to the Association of Graduates by the Endowment.
3. Once collocated, both organizations will enthusiastically support each other's efforts to support the Academy. The AOG and Endowment brands will be used by both organizations with both logos as a normal course of business, after due consideration of cost and purpose. Gift offers to the Academy will be made in the names of both organizations.
4. The Endowment will provide and distribute unrestricted funds raised to support the goals of this MOU. Of the first \$1,900,000 of unrestricted funds raised, the AOG will receive no less than \$600,000 per year for the first two years to support the implementation of this MOU. The Endowment will provide appropriate guarantees for payment of this funding for the first year. Of this \$1,900,000 the Endowment will gift the Academy \$300,000. Unrestricted funds raised over the \$1,900,000 will be distributed as follows: 25 percent each to the AOG, Endowment, and USAFA, and 25 percent in accordance with the recommendations of the

JCC. The JCC will decide on how excess funds are to be allocated and/or spent based upon documented needs.

5. When any support services are required, the Endowment will give first consideration to contracting with the Association of Graduates for those services. The AOG will provide such services at or slightly below local market rates. The following services are examples of services that could be used:
  - A. Computer and website services.
  - B. All components of gift processing including mail handling, receipting, acknowledgement and gift entry.
  - C. Telephone services.
  - D. Construction management services for projects on AOG property.
  - E. Financial, accounting, software, and data entry services. Appropriate controls will be installed to compartmentalize and provide security for AOG and Endowment financial information.

## **TRANSITION COORDINATION**

Both Boards understand that additional policies and procedures will need to be established as part of this process. The Presidents of the AOG and the Endowment will develop additional policies and procedures necessary for efficient and effective implementation of this MOU. Each Board will provide two members to a Joint Coordinating Committee (JCC) for the purpose of resolving issues on which the Presidents cannot agree. Additionally, the Superintendent will appoint an individual from the Academy staff to act as a non-voting advisor to the JCC. As specifically delegated by both Boards, the JCC will:

1. Make recommendations on substantial issues requiring the action of both Boards and/or the input of the Superintendent as the integration proceeds. This includes MOU changes, and extensions for approval by the respective Boards beyond the two-year period of performance.
2. Resolve, or provide guidance on, issues that are referred to them by the two Presidents.
3. Review AOG, Endowment and Academy support requirements and associated fund raising goals provided by the Presidents. If necessary, work with the Presidents and the Academy to provide the priorities for the coming year to the Boards for approval.
4. Have full access to the detailed quarterly and annual financial reports of both organizations.
5. Negotiate any MOU changes prior to submitting to each Board for their approval.

6. Review any recommendations, e.g., “lessons learned”, referred to them by the Presidents that would increase effectiveness and efficiencies in both friendraising and fundraising. A review of this MOU enterprise will be conducted no later than the twelve months following implementation. The JCC will submit recommended changes to the respective Boards for approval.
7. Up to two members of the JCC (or other designated representatives) will be invited, in an ‘Ex Officio’ capacity, to attend each organization’s Board meetings.

The JCC can only make decisions within the limits of this MOU and within the specific authorities granted by their respective Board. The JCC can also make decisions under any other agreements pursuant to this MOU. Each Board has the ultimate authority to determine what is best for its respective organization.

### **STAFF INTEGRATION/CONSOLIDATION**

To promote both the close working relationship between the AOG and the Endowment and to foster long-term cooperation, the following principles are paramount:

1. Responsibility for all new fundraising will transfer to the Endowment and both development staffs will be merged into a single development function under the Endowment.
2. All responsibilities for the constituent database updates and maintenance will transfer to the AOG. The Endowment staff will be provided full use and access to the AOG constituent database and is authorized to make development-specific updates. No data from the AOG constituent database may be extracted or placed in any other database. At the conclusion or termination of this MOU, or earlier if approved by both Boards, joint and equal ownership of the constituent database will inure to both the AOG and the Endowment. Any financial considerations will be determined by the Presidents of both organizations.
3. The parties agree that all AOG Development personnel will be offered positions with the Endowment at total compensation packages no lower than their current AOG compensation levels. The Endowment will follow AOG human resources policies when dealing with employee performance issues. In the event of a change in business focus or circumstances the Presidents will work together to find suitable employment for AOG-Endowment employees within their respective organizations.
4. The Endowment may change the duties and responsibilities of the transferred personnel as it may deem necessary.

### **TERMINATION**

This agreement will remain in effect for a minimum of 24 months and may not be terminated by either party during the first year. After the first year, either party may terminate the agreement with 60 days written notice if either party fails to perform its obligations under this MOU. After 18 months, the Presidents will submit a report to the JCC on the effectiveness of this agreement. The Presidents will make a recommendation concerning continuation of the agreement beyond 24 months. The JCC will review the report and make recommendations to the Boards. If the Boards decide to terminate this agreement, the staffs will begin the process of terminating the agreement at 24 months.

**LEGAL CONSIDERATIONS**

Nothing contained in this agreement shall be construed to create any rights in any third party that is not a signatory to this agreement. Nothing contained in this agreement shall be construed to create a joint venture, partnership or other legal status potentially giving rise to joint and several liabilities between the USAFA Endowment and the Association of Graduates.

**IN WITNESS THEREOF:**

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TERRY L. STORM  
Chairman of the Board  
Association of Graduates

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DATE

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A. BART HOLADAY  
Chairman of the Board  
USAFA Endowment

\_\_\_\_\_  
DATE