

Any look at the history of the U.S. Air Force Academy reveals that philanthropy has always been an integral part of the institution's landscape and culture. Many of the programs and places we enjoyed during our Academy experience were funded, in whole or in part, by private donations. A number of us 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, shown by many, has elevated the reputation of our school and 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 execute effectively a comprehensive giving program. Both questions require careful attention.

Why Private Support for the Academy?

To answer the first question, the role 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 have chartered a new and unique charitable foundation, the USAFA Endowment, Inc. - A 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. will work actively to identify and to cultivate key relationships with current and potential Academy donors to support the Superintendent's strategic priorities.

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, be 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 set the USAFA Endowment apart from any other charitable organization we are familiar with. They are:

1. NO FEES: Gifts are directed simply and efficiently. All donations will be used exclusively for their intended charitable purpose. No fees or deductions of any kind will be assessed on restricted gifts, and all investment gains will accrue entirely to the benefit of the intended charitable purpose.

This is possible because the Founding Directors of the USAFA Endowment have agreed to set up 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.

2. STEWARDSHIP IN PERPETUITY: The investment, safeguarding, and disbursement of restricted gift funds are made by and controlled by the USAFA Endowment consistent with the donor's directive. The independent Board of Directors will oversee and direct these activities, assuring proper stewardship of the gifts in perpetuity.

3. FULL TRANSPARENCY: The above principles will have complete audit and donor visibility annually. Audited annual reports will be provided to each donor—both for the USAFA Endowment as a whole, and for each donor's individual gift.

4. POSITIVE AND SUPPORTIVE APPROACH: Our bylaws state that we want 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 were 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 will offer donors the confidence they require to give generously to their Academy and its needs.

How Are We Doing So Far?

As we write this letter, our new charitable foundation, the USAFA Endowment, Inc. is barely six months old and has not, until now, publicly announced its existence. Most of our effort during this formative stage has been consumed by the legal and organizational requirements that a new legal entity must undertake, including recruiting a board of directors of high caliber and commitment. But we have solicited and received gifts during this period as well -- more than \$6 million so far. More than \$1 million has been designated to support athletics, including the building of an indoor practice facility and a state-of-the-art recruiting system to support Falcon football. We have funded, initially for a period of two years, the Chair in Character and Leadership, now held by General Erv Rokke. These and other projects will be described in greater detail on our website www.usafaendowment.org as we go forward in 2008, our first full year of operation as a charitable foundation supporting the United States Air Force Academy.

The Value of a Partnering Effort

Finally, it is important that we recognize how essential the Association of Graduates has been and will continue to be in serving the Academy and its alumni. For this reason we have made building a strong relationship with the AOG one of our top priorities. Moving forward, we hope

we will be able to use the energies of our two organizations to work together in a supportive manner to assist one another in achieving our missions. In such a model, both the alumni association and the charitable foundation will co-exist in mutual respect and support with the same overall goal of supporting the Academy and its alumni, while still remaining independent from each other. A system like this will permit a flexibility of AOG governance that graduates reasonably require, while at the same time bringing an assurance of unchanging principles and procedures that donors insist on when it comes to the stewardship of their gifts in perpetuity. We all look forward to working with all of you. If you have any questions, please contact our office in Colorado Springs and talk with Mark Hille, Executive Vice President at 719-659-9735 or visit our website at www.usafaendowment.org.

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