

USAFA ENDOWMENT, INC.

Financial Statements

For the Year Ended December 31, 2014

And

Independent Auditors' Report

USAFA ENDOWMENT, INC.

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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, 2014 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.

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, 2014 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 2013 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan & Co., LLP

May 4, 2015

USAFA ENDOWMENT, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2014 (with comparative totals for 2013)

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 12,255,517	\$ 5,922,594
Investments	16,155,039	14,444,280
Promises to give, net	22,211,408	20,182,344
Prepaid expenses	54,397	52,763
Beneficial interest in split-interest agreement	137,912	137,912
Property and equipment, net	<u>20,614</u>	<u>32,307</u>
TOTAL ASSETS	<u>\$ 50,834,887</u>	<u>\$ 40,772,200</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 175,325	\$ 113,920
Gift commitments and funds held for others	<u>3,360,024</u>	<u>3,415,391</u>
TOTAL LIABILITIES	<u>3,535,349</u>	<u>3,529,311</u>
NET ASSETS		
Unrestricted	1,512,715	1,214,992
Temporarily restricted	<u>45,786,823</u>	<u>36,027,897</u>
Total net assets	<u>47,299,538</u>	<u>37,242,889</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 50,834,887</u>	<u>\$ 40,772,200</u>

See notes to financial statements.

USAFA ENDOWMENT, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014 (with comparative totals for 2013)

	2014			2013 Total
	Unrestricted	Temporarily Restricted	Total	
SUPPORT AND REVENUE				
Contributions	\$ 2,686,690	\$ 12,746,255	\$ 15,432,945	\$ 13,279,017
Net realized and unrealized gains (losses) on investments	(179)	288,248	288,069	1,619,644
Interest and dividends	124	314,955	315,079	141,841
Change in value of split-interest agreement				(28,016)
Other	2,220		2,220	(369)
Net assets released from restrictions	<u>3,590,532</u>	<u>(3,590,532)</u>		
Total support and revenue	<u>6,279,387</u>	<u>9,758,926</u>	<u>16,038,313</u>	<u>15,012,117</u>
EXPENSES				
Program services	3,404,995		3,404,995	4,851,847
Supporting services:				
Fund raising	1,888,694		1,888,694	1,597,739
General and administrative	<u>687,975</u>		<u>687,975</u>	<u>703,139</u>
Total expenses	<u>5,981,664</u>	<u>—</u>	<u>5,981,664</u>	<u>7,152,725</u>
CHANGE IN NET ASSETS	297,723	9,758,926	10,056,649	7,859,392
NET ASSETS, Beginning of year	<u>1,214,992</u>	<u>36,027,897</u>	<u>37,242,889</u>	<u>29,383,497</u>
NET ASSETS, End of year	<u>\$ 1,512,715</u>	<u>\$ 45,786,823</u>	<u>\$ 47,299,538</u>	<u>\$ 37,242,889</u>

See notes to financial statements.

USAFA ENDOWMENT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2014 (with comparative totals for 2013)

	2014			2013 Total
	Program Services	Fund Raising	Supporting Services General and Adminis- trative	
EXPENSES				
Programs:				
Academy graduate programs	\$ 913,157			\$ 913,157
Character and Leadership Development programs	716,123			716,123
Dean's academic programs	527,657			527,657
Superintendent programs	507,955			507,955
Athletic programs and facilities	362,677			362,677
Class giving programs	240,000			240,000
Commandant programs	55,401			55,401
Other Academy related programs, facilities and activities	82,025			82,025
Supporting services:				
Salaries and benefits		\$ 1,097,966	\$ 472,840	1,570,806
Professional fundraising		160,010		160,010
Travel		130,690	4,757	135,447
Printing and copying		108,797	23	108,820
Occupancy		69,135	24,216	93,351
Payroll taxes		58,826	31,634	90,460
Conferences and meetings		20,630	66,332	86,962
Professional fees		52,949	31,644	84,593
Postage and shipping		49,633	623	50,256
Promotion and donor appreciation		37,604	146	37,750
Depreciation		19,460	3,840	23,300
Bank fees and charges			18,425	18,425
Supplies		13,989	698	14,687
Software		7,291	6,894	14,185
Other		61,714	25,903	87,617
TOTAL	<u>\$ 3,404,995</u>	<u>\$ 1,888,694</u>	<u>\$ 687,975</u>	<u>\$ 5,981,664</u>
PERCENT OF TOTAL	<u>57%</u>	<u>32%</u>	<u>11%</u>	<u>100%</u>
COMPARATIVE TOTALS – 2013	<u>\$ 4,851,847</u>	<u>\$ 1,597,739</u>	<u>\$ 703,139</u>	<u>\$ 7,152,725</u>
PERCENT OF TOTAL – 2013	<u>68%</u>	<u>22%</u>	<u>10%</u>	<u>100%</u>

See notes to financial statements.

USAFA ENDOWMENT, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2014 (with comparative totals for 2013)

	2014	2013
OPERATING ACTIVITIES		
Change in net assets	\$ 10,056,649	\$ 7,859,392
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(288,069)	(1,619,644)
Depreciation	23,300	5,752
Contributions of investments not yet liquidated	(597,034)	(325,000)
Change in value of split-interest agreement		28,016
Changes in operating assets and liabilities:		
Promises to give	(2,029,064)	(86,688)
Prepaid expenses	(1,634)	(1,571)
Accounts payable and accrued expenses	61,405	(88,716)
Gift commitments and funds held for others	<u>(55,367)</u>	<u>(2,161,850)</u>
Net cash provided by operating activities	<u>7,170,186</u>	<u>3,609,691</u>
INVESTING ACTIVITIES		
Proceeds from sales of investments	286,690	3,890,615
Purchases of investments	(1,112,346)	(9,026,039)
Purchases of property and equipment	<u>(11,607)</u>	<u>(4,703)</u>
Net cash used in investing activities	<u>(837,263)</u>	<u>(5,140,127)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,332,923	(1,530,436)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>5,922,594</u>	<u>7,453,030</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 12,255,517</u>	<u>\$ 5,922,594</u>

See notes to financial statements.

USAFA ENDOWMENT, INC.

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, 2014 and 2013.

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, 2013, 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.

Change in Accounting Principle — During 2014, the Organization adopted Accounting Standards Update (ASU) No. 2012-05, *Statement of Cash Flows*. Pursuant to ASU No. 2012-05, the Organization classifies cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those financial assets were donated without limitations as to their sale and were converted nearly immediately into cash. The Organization has retrospectively applied this change in accounting principle to its 2013 financial statements. The adoption of ASU No. 2012-05 only impacts the statement of cash flows.

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 risk adjusted discount rates applicable to the year in which the promise is received. Such discount rates ranged from 1.0% to 2.14% as of December 31, 2014. 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.

Revenue Recognition — Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from 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.

The Organization received donated materials and services of \$50,344 and \$63,120 in 2014 and 2013, 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 2011 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 was 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.

Under the 2013 MOU, annual fund cash receipts are 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.

In connection with the 2011 MOU, effective January 1, 2012 through December 31, 2013, 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.

The 2011 MOU required 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 was required to distribute to the Academy 10% of any unrestricted annual fund gifts received in excess of \$1,900,000.

In 2014, the Organization received \$2,378,716 in unrestricted annual fund gifts from donors, resulting in Annual Operating Support to the AOG and the Academy of \$808,763 and \$356,807, respectively. The AOG received \$611,512 during 2014 resulting in a remaining commitment to the AOG of \$197,251 as of December 31, 2014. 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. The allocation to the Academy is included in gift commitments on the accompanying statements of financial position as of December 31, 2014 (including \$262,789 remaining from 2013). In 2013 the amount included in gift commitments to the Academy was \$339,222 (including \$13,542 remaining from the 2012 allocation). The Academy allocations are available to be distributed to the Academy upon its request.

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, 2014 and 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 residential properties donated to the Organization and are valued based on an appraisals 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)
2014:				
Investments:				
Domestic equity mutual funds	\$ 9,091,690	\$ 9,091,690		
International equity mutual funds	6,500,426	6,500,426		
Real estate held for sale	400,000		\$ 400,000	
Domestic common stocks	146,742	146,742		
International common stocks	11,425	11,425		
Municipal bond	<u>4,756</u>		<u>4,756</u>	
Total investments	16,155,039	15,750,283	404,756	\$ —
Beneficial interest in split-interest agreement	<u>137,912</u>			<u>137,912</u>
Total assets at fair value	<u>\$ 16,292,951</u>	<u>\$ 15,750,283</u>	<u>\$ 404,756</u>	<u>\$ 137,912</u>

	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 funds	6,397,275	6,397,275		
Real estate held for sale	325,000		\$ 325,000	
International common stocks	6,427	6,427		
Municipal bond	<u>4,592</u>		<u>4,592</u>	
Total investments	14,444,280	14,114,688	329,592	\$ —
Beneficial interest in split-interest agreement	<u>137,912</u>			<u>137,912</u>
Total assets at fair value	<u>\$ 14,582,192</u>	<u>\$ 14,114,688</u>	<u>\$ 329,592</u>	<u>\$ 137,912</u>

The following table show quantitative information about significant unobservable inputs related to Level 3 fair value measurements used as of December 31, 2014 and 2013:

	Valuation Technique	Unobservable Inputs	Inputs	
			2014	2013
Beneficial interest in split-interest agreement	Discounted cash flows	Return on assets	4.0%	4.0%
		Discount rate	4.0%	4.0%

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

Balance, January 1, 2012	\$ 165,928
Change in value	<u>(28,016)</u>
Balance, December 31, 2013 and 2014	<u>\$ 137,912</u>

4. PROMISES TO GIVE

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

	2014	2013
Due in less than one year	\$ 12,946,754	\$ 9,493,867
Due in one to five years	9,527,265	10,309,029
Due thereafter	<u>363,638</u>	<u>982,929</u>
Total	22,837,657	20,785,825
Allowance for doubtful promises to give	(295,536)	(329,394)
Discount to net present value of estimated cash flows	<u>(330,713)</u>	<u>(274,087)</u>
Promises to give, net	<u>\$ 22,211,408</u>	<u>\$ 20,182,344</u>

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% as of December 31, 2014 and 2013. 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 at December 31, 2014 and 2013.

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2014	2013
Office equipment	\$ 60,374	\$ 65,767
Software	20,974	20,974
Other	<u>22,972</u>	<u>22,972</u>
Total	104,320	109,713
Less accumulated depreciation	<u>83,706</u>	<u>77,406</u>
Total	<u>\$ 20,614</u>	<u>\$ 32,307</u>

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:

	2014	2013
The AOG	\$ 1,414,524	\$ 1,442,070
The Academy	667,374	751,722
Friends of the Air Force Academy Library	<u>1,278,126</u>	<u>1,221,599</u>
Total	<u>\$ 3,360,024</u>	<u>\$ 3,415,391</u>

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, 2014 and 2013, the Organization held \$1,278,126 and \$1,221,599, respectively, on behalf of the Friends.

8. TEMPORARILY RESTRICTED NET ASSETS

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

	2014	2013
Supporting services:		
Founding Director Fund	\$ 10,275,442	\$ 9,148,622
USAFA Endowment Campaign Initiative Fund	1,579,096	1,460,606
Mazet Memorial Fund	782,453	1,444,000
USAFA Endowment Fund	288,361	296,118
Other	23,417	33,214
Program services:		
Center for Character and Leadership Development and related programs	22,337,053	15,667,436
Academic programs	5,127,815	2,568,469
Academy programs	1,597,763	1,313,014
Athletic programs	1,314,998	1,381,410
Holaday Athletic Center	545,160	538,354
Other funds	<u>1,915,265</u>	<u>2,176,654</u>
Total	<u>\$ 45,786,823</u>	<u>\$ 36,027,897</u>

9. CONCENTRATIONS

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

As of December 31, 2014, approximately 23% and 11% of promises to give were from two individual donors. During 2014, the Organization received approximately 31% and 14% of its contributions from two individual donors.

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.

10. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2014 and 2013, the Organization received \$3,845,963 and \$5,686,826, respectively, of contributions from members of its Board of Directors (including promises to give). Board members accounted for \$5,612,996 and \$6,505,469 of outstanding promises to give (before the discount to net present value) as of December 31, 2014 and 2013, 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, 2014 and 2013 the Organization's total contributions were \$146,853 and \$119,305, respectively.