

The background of the cover is a photograph of two young men in USNA uniforms. The man in the foreground is a Black man with short hair, looking slightly to his right. He is wearing a dark blue uniform jacket with gold buttons and a high collar. The man in the background is a white man, also in uniform, looking forward. The background is a blurred crowd of people. A large, stylized 'V' shape is overlaid on the bottom half of the image, with a gold-colored upper half and a dark blue lower half.

AT THE READY

2015 Annual Report

The United States Naval Academy Alumni Association, Inc.
The United States Naval Academy Foundation, Inc.

MESSAGE FROM THE CHAIRMEN

In the more than 50 years that have passed since our arrival at the Naval Academy for Plebe Summer with the Class of 1967, much has changed about our naval service, our nation and our world. Fittingly, much has also changed about the education provided at the Naval Academy. Midshipmen today tackle an ever-more-rigorous program with a focus on emerging technology and shifting global dynamics in keeping with the environment in which they will serve as officers. They do so to be ready—ready to learn, ready to succeed, ready to lead.

The commitment they have undertaken is enormous. The challenges the Academy faces to prepare them are just as daunting. We, as an Alumni Association and Foundation committed to the future of the Academy and its graduates, must be equally steadfast in our efforts to provide the support the Academy needs to pursue its mission and realize its vision. This support takes many

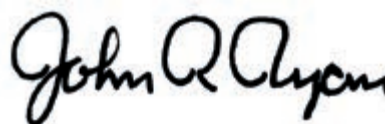
forms: the strength of our alumni community at home and abroad, the steady and versatile resources of the Annual Fund, the targeted contributions toward the strategic initiatives of *Naval Academy Strategic Plan 2020*. We also recognize that continued investment in our own enterprise, with improvements to infrastructure, advances in technology and emphasis on programs and activities such as Founder's Day and the Distinguished Graduate Award are critical as well.

Our success in our endeavors stems directly from your continued involvement with the Academy, whether through participation and leadership in alumni programs and activities or through your personal generosity. Your engagement provides compelling evidence that you, too, are ready to help the Academy and the Brigade of Midshipmen prepare for the world we share today, and the one that will take shape tomorrow.

For your vital support, we thank you.



Admiral Robert J. Natter '67, USN (Ret.)
Chairman, Board of Trustees
*United States Naval Academy
Alumni Association, Inc.*



Vice Admiral John R. Ryan '67, USN (Ret.)
Chairman, Board of Directors
*United States Naval Academy
Foundation, Inc.*



MESSAGE FROM THE PRESIDENT & CEO

As citizens of the United States and of the world, we at the Naval Academy Alumni Association and Foundation are acutely aware of the challenges our nation and our society face—building a safe, secure and prosperous future for those who follow us has perhaps never felt this difficult. The environment in which today's midshipmen will one day lead as Navy and Marine Corps officers is one fraught with uncertainty, marked by new enemies and shaped by technologies and forms of warfare unimaginable even a decade ago.

The Naval Academy and the Brigade of Midshipmen must be ready for this environment. And they will be ready. The Academy and its leadership, guided by the priorities and objectives established in *Naval Academy Strategic Plan 2020*, are preparing midshipmen morally, mentally and physically for the world they will encounter at graduation and in the years to follow. They are ensuring that our midshipmen have the ethical leadership skills to make difficult choices, the cultural competence to engage productively with allies and better understand our enemies, and the technical expertise to best employ the tools at their disposal.

They will be ready, in large measure due to the support and engagement of our donors and volunteer leaders, men and women like you. You have stepped up in recent years, you have seen the challenges set for the Academy and the demands made on its leaders, and you have helped meet them. You have given of your time, talent and treasure. As a result, our organization has continued to build on recent successes and has experienced another remarkable

year. As fiscal year 2015 drew to a close, Alumni Association membership stood at an all-time high of 60,250. Annual Fund contributions topped \$10.8 million, a record high and an increase of 11 percent from fiscal year 2014.

Total donor contributions reached \$36.6 million. Total assets stood at \$256.9 million, up from \$247.6 million in fiscal year 2014, and we provided \$18.7 million in support to the Academy, providing the Superintendent with the flexibility and resources needed to advance critical programs. These achievements demonstrate that along with the Academy, the Brigade and our Navy and Marine Corps, the Alumni Association and Foundation stand at the ready as well. Our work, and your support, have played a part in the Academy's extraordinary recent successes: victory in the Cyber Defense Exercise, midshipmen named Rhodes and Mitchell Scholars, and of course, the Navy football team's historic, 11-2 season, distinguished by quarterback Midshipman First Class Keenan Reynolds' exceptional individual accomplishments.

Thank you for empowering us in our service to our mission. We look forward to continuing our tradition of support to the Naval Academy and its alumni community.

Go Navy!



Byron F. Marchant '78
President and CEO



AT THE READY



From the moment they arrive in Annapolis on Induction Day, the men and women of the Brigade of Midshipmen stand apart from their peers. Sacrificing the usual comforts of traditional college life, they are prepared at a very young age to face a greater challenge. (continued on page 6)



WE STAND READY TO HELP FUEL THEIR GREATNESS ON AND BEYOND THE YARD.

(continued from page 5)

To push their minds, their bodies and their characters to a higher level. To take on moral, mental and physical endeavors designed to transform already exceptional students and athletes into the consummate leaders our Navy and Marine Corps need.

They are ready. As the Naval Academy must be to prepare them, and as the Naval Academy Alumni Association and Foundation must be to support both the Academy and the Brigade in their distinctive missions.

That preparedness is at the heart of *Naval Academy Strategic Plan 2020*, the guiding force behind the Academy's operations. The priorities outlined in that plan build upon the Academy's historic strengths in academics, leadership development and physical mission, but they also

demand an even higher level of commitment, innovation and achievement, a level that cannot be reached with federal appropriations alone. Thus, the resources and support made possible by the Naval Academy Alumni Association and Foundation are more important than ever before.

Fortunately, these organizations, their volunteer leaders and their professional staff are ready as well. Inspired by the caliber of midshipmen in the Brigade and compelled by the increasing complexity and uncertainty of the environment in which those midshipmen will soon lead as Navy and Marine Corps officers, the Alumni Association and Foundation have redoubled their efforts to ensure that the Academy has as many resources as possible at its disposal to provide an exceptional midshipman experience, and that graduates have



a robust network of fellow alumni to turn to, no matter where their careers take them.

This commitment by the Alumni Association and Foundation has resulted in the rapid expansion of the Academy's Center for Cyber Security Studies, including additional funding for its facility; the growth of critical project-based learning partnerships with corporate leaders in the defense and technology industries; expansion of strategic admissions outreach programs in key metropolitan areas and vital improvements to the Naval Academy Preparatory School; a record 450 midshipmen studying in more than 40 countries during the 2014-15 academic year and further improvements to facilities, including Navy-Marine Corps Memorial Stadium. At the same time, the organizations continue to make alumni programs and services a priority, investing in communications

tools, career programs and mentoring opportunities for graduates.

Contributions to the Annual Fund topped \$10.87 million, an improvement of 11 percent over last year's total. Diligent management of resources has helped produced substantial budget surpluses during the same periods, even as the enterprise has made significant investments in new database technology and strategic consulting services. These initiatives, coupled with a continued focus on prudent market investments, cultivation of donor relationships and productive collaboration with colleagues on the Yard, will ensure that the Naval Academy Alumni Association and Foundation are more prepared than ever to stand with the Academy in service to the naval service, the nation and the world. ♦

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

As the chief financial officer and treasurer of the Naval Academy Alumni Association and Foundation, I am pleased to present a true and accurate picture of the financial condition of both organizations.

The consolidated financial statements in this report accurately present the organizations' financial positions, results of operations and workflows. The financial information is prepared in accordance with generally accepted accounting principles in the United States. The financial statements in this document are the complete set presented to our auditors. The CEO and I have reviewed them, and, to the best of our knowledge, they contain no materially untrue statements, nor do they omit any material facts. Independent auditor McGladrey LLP audited our financial statements and expressed an unmodified (unqualified) opinion thereon. The auditor considered our internal controls to the extent they believe necessary to determine and conduct the audit to render an opinion. They found no significant deficiencies or material weaknesses

during their audit, and no adjustments were made. Our internal controls ensure that transactions are authorized, executed and recorded properly.

The Joint Finance and Audit Committee—nine members who are neither officers nor employees of the Alumni Association or Foundation—meets quarterly with management to ensure that the team fulfills its responsibility for accounting controls and preparation of the financial statements and related data.

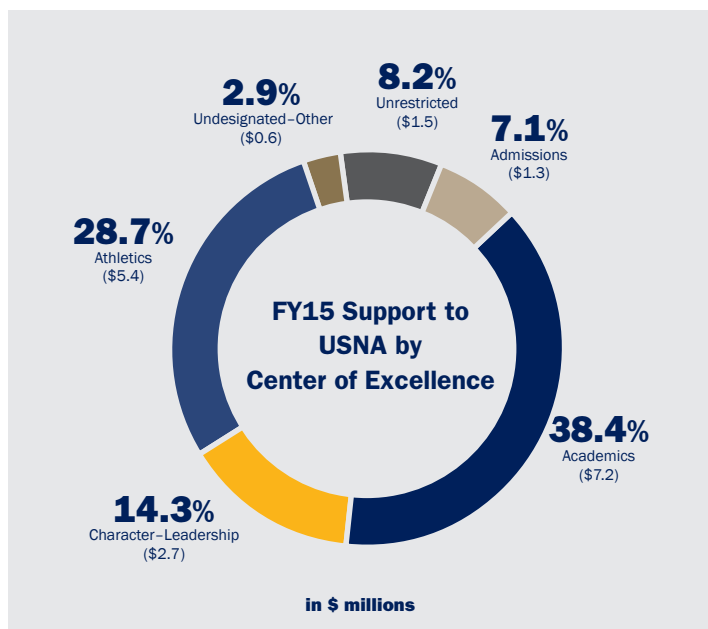
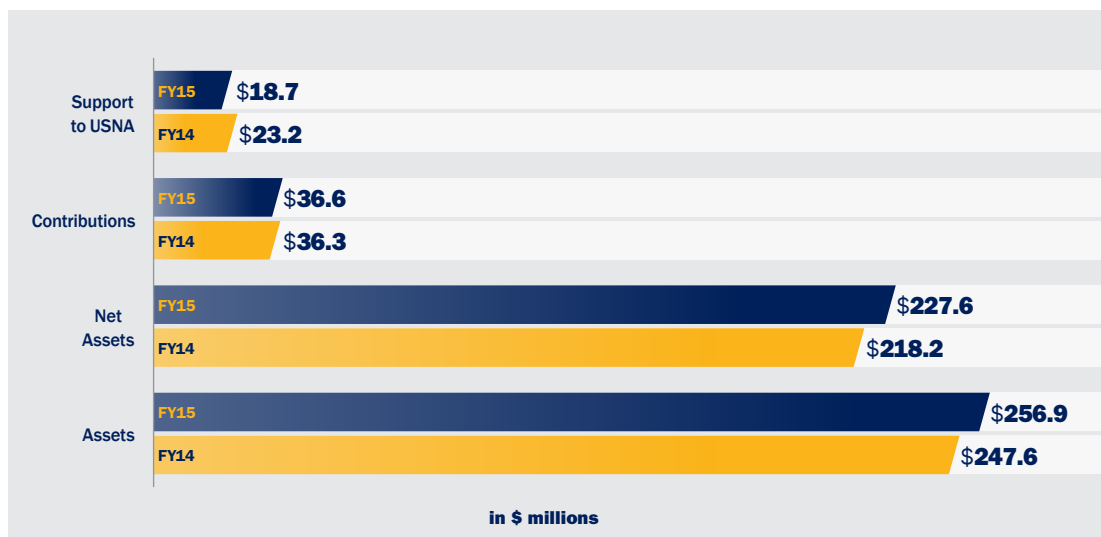
The dedication and commitment of our volunteer leaders and donors are central to the Alumni Association and Foundation's success and ability to serve the Naval Academy and Brigade of Midshipmen. We thank you for your support, engagement and generosity.



Captain Henry J. Sanford, USN (Ret.)
Chief Financial Officer and Treasurer

FINANCIAL HIGHLIGHTS

FISCAL YEAR ENDING JUNE 30, 2015

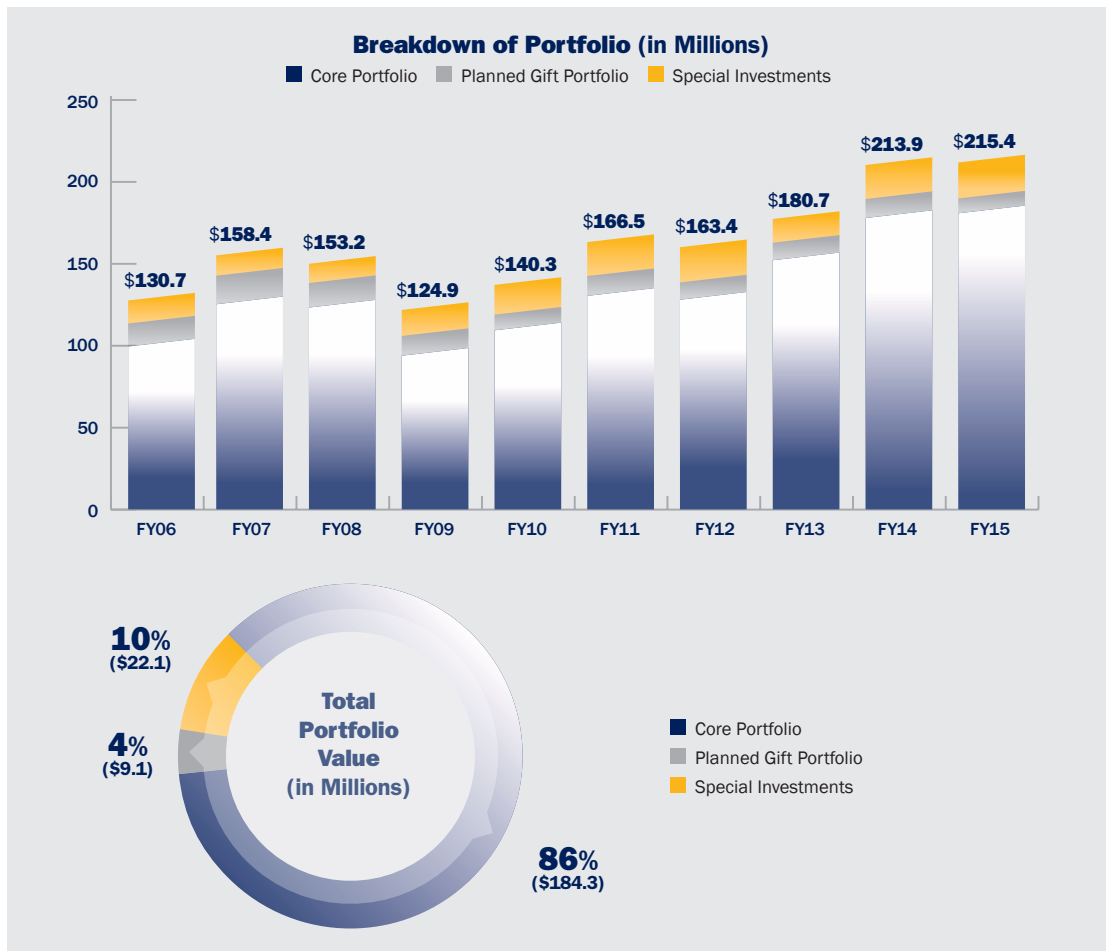


PORTFOLIO REVIEW

The total investment portfolio of the United States Naval Academy Alumni Association and Foundation was valued at \$215.5 million on June 30, 2015. This represents a market value gain of \$1.6 million from the previous year. This increase consists of \$3.8 million in net investment gains and \$2.3 million in net distributions. The current makeup of the portfolio and annual market values of the total investment portfolio for each of the last 10 years are below.

The Core Portfolio holds the majority of endowed and long-term restricted gift funds. It's a pooled fund managed by The Investment Fund

for Foundations (TIFF) under the oversight of the Alumni Association and Foundation's Joint Investment Committee. The Core Portfolio is invested with an objective of preserving the purchasing power of invested assets over the long term, commensurate with the risk tolerance of the organization, while supporting current spending. The Core Portfolio's targeted asset allocation, known as the Policy Portfolio, has been built with the long term in mind, and the organization takes action in the shorter term to add value and reduce risk when deemed prudent.



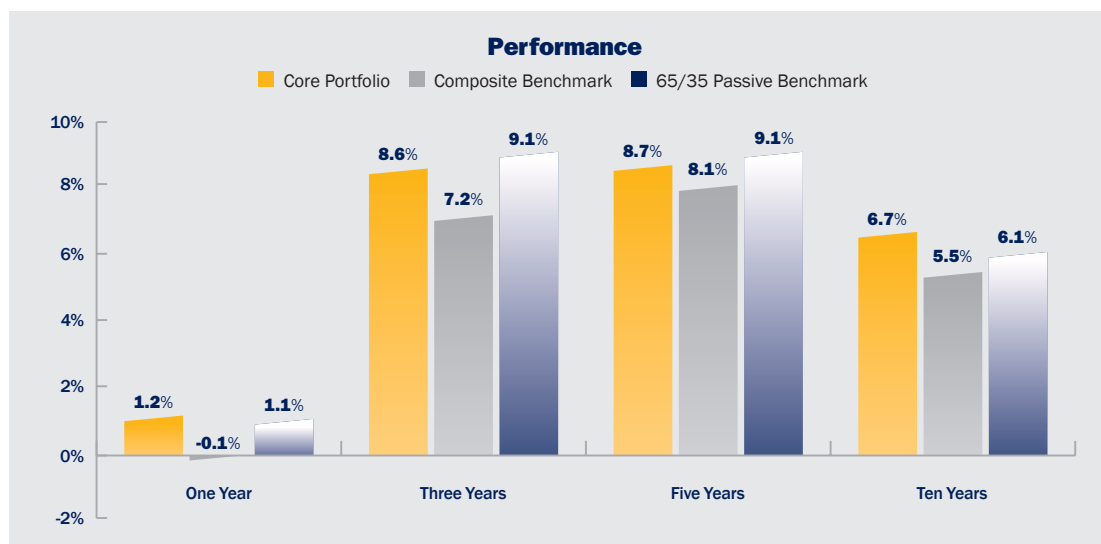
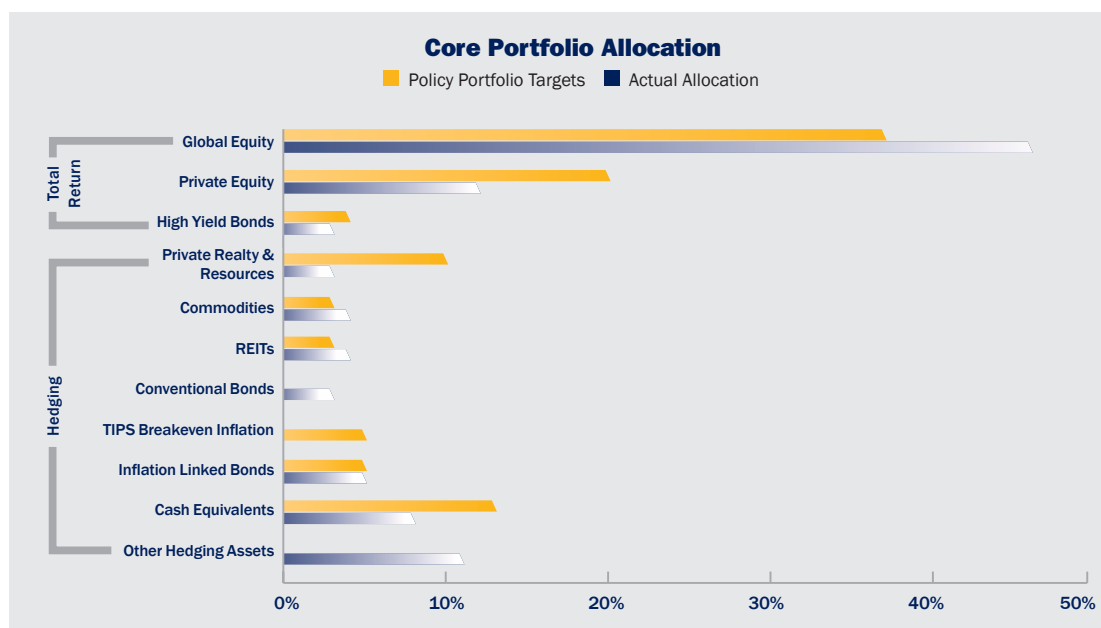
Historical Asset Values

As the chart below indicates, the Core Portfolio returned 1.16% for the year ending 30 June 2015, outperforming the composite Policy Portfolio benchmark by about 120 basis points and approximately in line with the passive benchmark despite our underweight to equities, our allocation to commodities and hedging we did against inflation, which did not arise. Our year-end allocations reflect an adjustment to this positioning with an increase in our equity exposure and a more balanced mixture of

hedges. The Core Portfolio's performance continues to be solid over the long periods.

The Planned Gift Portfolio consists of non-pooled investment accounts for charitable trusts assets, charitable gift annuities and a pooled income fund and continues to be managed by SunTrust Bank.

The Special Investments hold a number of stand-alone investment accounts that do not fit within the core or planned gift portfolios. These accounts have a wide assortment of objectives and hold a wide variety of investments. ♦





UNITED STATES NAVAL ACADEMY ALUMNI ASSOCIATION

Mission of the United States

Naval Academy Alumni Association

To serve and support the United States, the naval service, the Naval Academy, and its alumni:

By furthering the highest standards at the Naval Academy;

By seeking out, informing, encouraging and assisting outstanding, qualified young men and women to pursue careers as officers in the Navy and Marine Corps through the Naval Academy; and

By initiating and sponsoring activities which will perpetuate the history, traditions, memories and growth of the Naval Academy and bind alumni together in support of the highest ideals of command, citizenship and government.



UNITED STATES NAVAL ACADEMY FOUNDATION

Mission of the United States

Naval Academy Foundation

To support, promote and advance the mission of the Naval Academy by working in conjunction with Academy leadership to identify strategic institutional priorities and by raising, managing and disbursing private gift funds that provide a margin of excellence in support of the nation's premier leadership institution.