stockman kast ryan + co LLP

# USAFA ENDOWMENT, INC.

## Financial Statements

## For the Year Ended December 31, 2016

## 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, 2016 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.

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## 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, 2016 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 2015 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 3, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Stockman Kast Ryan & Co., LLP*

May 11, 2017

# USAFA ENDOWMENT, INC.

**STATEMENT OF FINANCIAL POSITION**
**DECEMBER 31, 2016 (with comparative totals for 2015)**

| | 2016 | 2015 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 15,172,635 | $ 15,418,346 |
| Investments | 28,265,966 | 23,937,199 |
| Promises to give, net | 16,258,307 | 15,079,104 |
| Prepaid expenses | 24,554 | 45,830 |
| Beneficial interest in split-interest agreements | 165,928 | 137,912 |
| Property and equipment, net | 15,256 | 10,905 |
| TOTAL ASSETS | $ 59,902,646 | $ 54,629,296 |
| **LIABILITIES AND NET ASSETS** | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | $ 135,610 | $ 261,682 |
| Gift commitments and funds held for others | 3,064,003 | 5,190,238 |
| Total liabilities | 3,199,613 | 5,451,920 |
| NET ASSETS | | |
| Unrestricted | 1,480,532 | 1,963,149 |
| Temporarily restricted | 55,222,501 | 47,214,227 |
| Total net assets | 56,703,033 | 49,177,376 |
| TOTAL LIABILITIES AND NET ASSETS | $ 59,902,646 | $ 54,629,296 |

See notes to financial statements.

# USAFA ENDOWMENT, INC.

**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative totals for 2015)**

| | 2016 | | | 2015 |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Total | Total |
| SUPPORT AND REVENUE | | | | |
| Contributions | $ 1,631,572 | $ 11,152,150 | $ 12,783,722 | $ 16,180,862 |
| Net realized and unrealized gains (losses) on investments | (379) | 1,454,448 | 1,454,069 | (1,232,258) |
| Interest and dividends | 3 | 478,471 | 478,474 | 469,330 |
| Other | | 100 | 100 | 14,377 |
| Net assets released from restrictions | 5,076,895 | (5,076,895) | | |
| Total support and revenue | 6,078,091 | 8,008,274 | 14,716,365 | 15,432,311 |
| EXPENSES | | | | |
| Program services | 4,169,250 | | 4,169,250 | 10,893,145 |
| Supporting services: | | | | |
| Fund raising | 2,358,094 | | 2,358,094 | 2,063,133 |
| General and administrative | 663,364 | | 663,364 | 598,195 |
| Total expenses | 7,190,708 | — | 7,190,708 | 13,554,473 |
| CHANGE IN NET ASSETS | (482,617) | 8,008,274 | 7,525,657 | 1,877,838 |
| NET ASSETS, Beginning of year | 1,963,149 | 47,214,227 | 49,177,376 | 47,299,538 |
| NET ASSETS, End of year | $ 1,480,532 | $ 55,222,501 | $ 56,703,033 | $ 49,177,376 |

See notes to financial statements.

# USAFA ENDOWMENT, INC.

## STATEMENT OF FUNCTIONAL EXPENSES
## FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative totals for 2015)

| | 2016 | | | | |
|---|---|---|---|---|---|
| | | Supporting Services | | | |
| | Program Services | Fund Raising | General and Administrative | Total | 2015 Total |
| EXPENSES | | | | | |
| Programs: | | | | | |
| Center for Character and Leadership Development programs and facilities | $ 1,659,814 | | | $ 1,659,814 | $ 6,302,784 |
| Dean's academic programs | 1,107,984 | | | 1,107,984 | 1,120,334 |
| Academy graduate programs | 646,031 | | | 646,031 | 958,690 |
| Superintendent programs | 268,341 | | | 268,341 | 367,696 |
| Athletic programs and facilities | 170,035 | | | 170,035 | 474,133 |
| Commandant programs | 144,610 | | | 144,610 | 176,526 |
| Class giving programs | 54,713 | | | 54,713 | 1,377,466 |
| Other Academy related programs, facilities and activities | 117,722 | | | 117,722 | 115,516 |
| Supporting services: | | | | | |
| Employee compensation and benefits | | $ 1,367,318 | $ 476,174 | 1,843,492 | 1,660,815 |
| Professional fees | | 163,813 | 36,885 | 200,698 | 61,755 |
| Recruiting | | 163,657 | | 163,657 | 14,135 |
| Professional fundraising | | 150,309 | | 150,309 | 157,656 |
| Travel | | 116,171 | 22,484 | 138,655 | 147,939 |
| Payroll taxes | | 79,409 | 27,452 | 106,861 | 102,693 |
| Occupancy | | 59,109 | 15,214 | 74,323 | 94,184 |
| Printing and copying | | 63,383 | | 63,383 | 135,735 |
| Postage and shipping | | 49,552 | 841 | 50,393 | 55,219 |
| Software | | 38,883 | 3,073 | 41,956 | 25,846 |
| Conferences and meetings | | 4,095 | 31,319 | 35,414 | 57,272 |
| Bank fees and charges | | | 21,218 | 21,218 | 16,220 |
| Depreciation | | 5,749 | 773 | 6,522 | 11,578 |
| Other | | 96,646 | 27,931 | 124,577 | 120,281 |
| TOTAL | $ 4,169,250 | $ 2,358,094 | $ 663,364 | $ 7,190,708 | |
| PERCENT OF TOTAL | 58% | 33% | 9% | 100% | |
| COMPARATIVE TOTALS – 2015 | $ 10,893,145 | $ 2,063,133 | $ 598,195 | | $ 13,554,473 |
| PERCENT OF TOTAL – 2015 | 80% | 15% | 5% | | 100% |

See notes to financial statements.

## USAFA ENDOWMENT, INC.

**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparative totals for 2015)**

| | 2016 | 2015 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Change in net assets | $ 7,525,657 | $ 1,877,838 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Net realized and unrealized (gains) losses on investments | (1,454,069) | 1,232,258 |
| Depreciation | 6,522 | 11,578 |
| Contributions of investments not yet liquidated | (2,038,963) | (1,682,482) |
| Contribution of split–interest agreements | (28,016) | |
| Changes in operating assets and liabilities: | | |
| Promises to give | (1,179,203) | 7,132,304 |
| Prepaid expenses | 21,276 | 8,567 |
| Accounts payable and accrued expenses | (126,072) | 86,357 |
| Gift commitments and funds held for others | (2,126,235) | 1,830,214 |
| Net cash provided by operating activities | 600,897 | 10,496,634 |
| INVESTING ACTIVITIES | | |
| Proceeds from sales of investments | 1,940,151 | 297,115 |
| Purchases of investments | (2,775,886) | (7,629,051) |
| Purchases of property and equipment | (10,873) | (1,869) |
| Net cash used in investing activities | (846,608) | (7,333,805) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (245,711) | 3,162,829 |
| CASH AND CASH EQUIVALENTS, Beginning of year | 15,418,346 | 12,255,517 |
| CASH AND CASH EQUIVALENTS, End of year | $ 15,172,635 | $ 15,418,346 |

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 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 major source of funding for the operating expenses of the Organization, now and for the future. This Founding Director Fund enables all program donations to be used exclusively for their intended purpose and no fees or deductions of any kind are assessed on restricted gifts. Investment returns also accrue entirely to the applicable restricted fund.

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, 2016 and 2015.

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, 2015, 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 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, 2016. 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 Agreements** — The Organization is designated as a remainder beneficiary under various charitable remainder trusts. Under the terms of these agreements, 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 met.

**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 $225,289 and $123,848 in 2016 and 2015, 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 2013 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

The Organization and the Association of Graduates of the United States Air Force Academy (the AOG), have entered into a Memorandum of Understanding (the 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 MOU was effective on January 1, 2014 and remains in effect for a minimum of four years. Either party may terminate the MOU with 60 days written notice.

Under the 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. As of January 1, 2016, the distribution to the Academy was reduced to 5% for three years with the Endowment retaining an additional 10%. 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 as follows: 21% to the Academy (after the three year reduction period discussed above), 31% to the AOG and 48% retained by the Endowment.

In 2016, the Organization received $2,312,210 in unrestricted annual fund gifts from donors, resulting in allocated support to the AOG and the Academy of $786,151 and $115,611, respectively. In 2015, the Organization received $2,328,531 in unrestricted annual fund gifts from donors, resulting in allocated support to the AOG and the Academy of $791,700 and $349,280, respectively. Unremitted allocations to the AOG and the Academy are included in gift commitments in the accompanying statements of financial position as of December 31, 2016 and 2015. The Academy allocations are available to be distributed to the Academy upon its request.

Pursuant to the MOU, the Organization has recorded a gift commitment to the AOG equal to 34% of the annual fund promises to give as of December 31, 2016 and 2015. As of December 31, 2016 and 2015, the Organization has recorded a gift commitment to the Academy equal to 5% of the annual fund promises to give that are expected to be received in the years 2017 and 2018 and 15% of the annual fund promises to give expected to be received in years subsequent to 2018.

In connection with the MOU the Organization and the AOG entered into an Annual Operating Contract (the Contract). Pursuant to the principal provisions of the Contract, the Organization agreed to pay the AOG approximately $94,000 in 2016 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 each year is adjusted using the change in the consumer price index.

Effective July 1, 2016, the Organization and the AOG amended the Contract by eliminating certain data entry services and reducing the monthly installments by approximately $3,300. The total amount paid by the Organization to the AOG in 2016 related to the Contract was $74,323.

## 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 industrial and residential properties donated to the Organization and are valued based on appraisals using the sales comparison approach. See Note 5 regarding the valuation of the beneficial interest in split-interest agreements.

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) |
|---|---|---|---|---|
| **2016:** | | | | |
| Investments: | | | | |
| Domestic equity mutual funds | $ 14,556,585 | $ 14,556,585 | | |
| International equity mutual funds | 10,510,195 | 10,510,195 | | |
| Real estate held for sale | 1,800,000 | | $ 1,800,000 | |
| Fixed income mutual funds | 1,102,657 | 1,102,657 | | |
| Other assets held for sale | 231,000 | | 231,000 | |
| Domestic common stock | 65,529 | 65,529 | | |
| Total investments | 28,265,966 | 26,234,966 | 2,031,000 | $ — |
| Beneficial interest in split-interest agreements | 165,928 | | | 165,928 |
| Total assets at fair value | $ 28,431,894 | $ 26,234,966 | $ 2,031,000 | $ 165,928 |
| **2015:** | | | | |
| Investments: | | | | |
| Domestic equity mutual funds | $ 12,285,068 | $ 12,285,068 | | |
| International equity mutual funds | 9,847,211 | 9,847,211 | | |
| Real estate held for sale | 1,800,000 | | $ 1,800,000 | |
| Municipal bond | 4,920 | | 4,920 | |
| Total investments | 23,937,199 | 22,132,279 | 1,804,920 | $ — |
| Beneficial interest in split-interest agreement | 137,912 | | | 137,912 |
| Total assets at fair value | $ 24,075,111 | $ 22,132,279 | $ 1,804,920 | $ 137,912 |

The following table shows quantitative information about significant unobservable inputs related to Level 3 fair value measurements used as of December 31, 2016 and 2015:

| Fair Value | Valuation Technique | Unobservable Inputs | Inputs 2016 | Inputs 2015 |
|---|---|---|---|---|
| $ 137,912 | Discounted cash flows | Return on assets | 4.0% | 4.0% |
| | | Discount rate | 4.0% | 4.0% |
| 28,016 | Discounted cash flows | Return on assets | Unavailable | N/A |
| | | Discount rate | Unavailable | N/A |
| $ 165,928 | | Estimated life expectancy | Unavailable | N/A |

During the year ended December 31, 2016, there were contributions of additional beneficial interest in split-interest agreements of $28,016. There was no change in the value of the beneficial interest in split-interest agreements during the years ended December 31, 2016 and 2015.

## 4. PROMISES TO GIVE

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

| | 2016 | 2015 |
|---|---|---|
| Due in less than one year | $ 6,889,782 | $ 7,496,951 |
| Due in one to five years | 10,475,701 | 8,106,946 |
| Due thereafter | | 2,481 |
| Total | 17,365,483 | 15,606,378 |
| Allowance for doubtful promises to give | (702,560) | (302,747) |
| Discount to net present value of estimated cash flows | (404,616) | (224,527) |
| Promises to give, net | $ 16,258,307 | $ 15,079,104 |

## 5. BENEFICIAL INTEREST IN SPLIT-INTEREST AGREEMENTS

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% as of December 31, 2016 and 2015. 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, 2016 and 2015.

In 2016, the Organization became aware that they were named as beneficiaries of three gift annuities with net market values totaling $28,016 at December 31, 2016.

## 6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

| | 2016 | 2015 |
|---|---|---|
| Office equipment | $ 63,222 | $ 52,349 |
| Software | 20,974 | 20,974 |
| Other | 22,972 | 22,972 |
| Total | 107,168 | 96,295 |
| Less accumulated depreciation | 91,912 | 85,390 |
| Total | $ 15,256 | $ 10,905 |

## 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:

| | 2016 | 2015 |
|---|---|---|
| Friends of the Air Force Academy Library | $ 1,278,291 | $ 1,216,433 |
| The AOG | 1,028,901 | 1,372,842 |
| The Academy | 756,811 | 2,600,963 |
| Total | $ 3,064,003 | $ 5,190,238 |

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

During 2015, the Academy accepted two gift offers from the Organization of $2,500,000 each for landscaping, building signage, furniture, and equipment at the Center for Character and Leadership Development. The Organization paid expenses of $1,656,141 and $2,836,841 under the gift offers during the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016 and 2015, the Organization had $507,018 and $2,163,159, respectively, remaining as gift commitments under these two gift offers to the Academy.

The Organization holds funds on behalf of Friends of the Air Force Academy Library (the Friends), a separate non-profit organization which also supports the Academy. As of December 31, 2016 and 2015, the Organization held $1,278,291 and $1,216,433, 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:

| | 2016 | 2015 |
|---|---|---|
| Program services: | | |
| Center for Character and Leadership Development and related programs | $ 16,634,008 | $ 17,062,669 |
| Athletic facilities and programs | 11,778,241 | 8,608,996 |
| Academic programs | 6,107,353 | 5,352,607 |
| Academy programs | 1,405,199 | 1,156,104 |
| Other funds | 4,093,015 | 1,505,155 |
| Supporting services: | | |
| Founding Director Fund | 12,314,551 | 10,852,526 |
| USAFA Endowment Campaign Initiative Fund | 2,194,488 | 1,638,843 |
| USAFA Endowment Fund | 682,071 | 685,713 |
| Mazet Memorial Fund | | 338,053 |
| Other | 13,575 | 13,561 |
| Total | $ 55,222,501 | $ 47,214,227 |

## 9. CONCENTRATIONS

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

As of December 31, 2016, approximately 20% and 11% of promises to give were from two individual donors. During 2016, the Organization received approximately 22% of its contributions from one individual donor.

As of December 31, 2015, approximately 14% and 11% of promises to give were from two individual donors. During 2015, the Organization received approximately 32% and 12% of its contributions from two individual donors.

## 10. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2016 and 2015, the Organization received $5,196,690 and $9,422,562, respectively, of contributions from members of its Board of Directors (including promises to give). Board members accounted for $7,992,604 and $5,577,228 of outstanding promises to give (before the discount to net present value) as of December 31, 2016 and 2015, respectively.

## 11. RETIREMENT PLAN

The Organization has adopted a SEP-IRA defined contribution retirement plan for its employees. Subject to meeting the minimum annual earnings level of $600 established by the Internal Revenue Service, all 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, 2016 and 2015 the Organization's total contributions were $170,031 and $168,472, respectively.