



BOARD OF DIRECTORS MEETING

21 October 2022 Meeting Minutes

APPROVED

Board Members Present: Bob Lowe '71, Chair; Ginny Caine Tonneson '80, Secretary; Glenn Strebe '87, Treasurer; Hans Mueh '66; Garry Dudley '68; Mark Volcheff '75; Brian Bishop '83; Mark Mavity '84; Dennis Dabney '89; Kendra Lowe '01; Andrew Hendel '09; Emma Przybyslawski '10.

Board Members Present via Videoconference: Will Gunn '80, Vice Chair; Randy Helms '79, President, Class Advisory Senate; Joseph Bledsoe III '11.

Board Members Absent: Nancy Taylor '01.

AOG Staff Present: Mike Gould '76, AOG/AFAF CEO; Mark Hille '97, AOG/AFAF President; Corrie Grubbs, SVP for Operations; Katie Willemarck, future Joint CFO; Jennifer Harwig, CFO; Naviere Walkewicz '99, SVP, Alumni Relations and Business Development; Wyatt Hornsby, AOG/AFAF VP of Marketing and Communication; Emma Ross, Executive Assistant and Board Support; Tony Capistrano, IT Support Specialist; Jillian Wood, Special Assistant to the President and Board; Paul Ackerman '82, VP of Academy and Community Relations.

Guests Present: Lucky Ekman '63; Hank Hoffman '63; Dana Trenkowski '68.

I. Call to Order/Chairman's Welcome

Chair Lowe called the meeting to order at 7:44 a.m. MDT, on Friday, 21 October 2022.

II. Chair's Comments

Chair Lowe introduced our guests and Katie Willemarck, the future Joint AFAF/AOG CFO. He asked the Directors to think about whether it made sense for a Director with a personal situation that would impact his/her ability to serve actively on the Board to go on a 1-2 year sabbatical. We could potentially appoint someone to fill the position for the sabbatical duration, and then the elected Director would reassume their position at the end of the sabbatical. This will be discussed later.

III. Consent Agenda

The consent agenda included the 22 July 2022 Meeting Minutes (Attachment 1), 8 August 2022 E-Vote Minutes (Attachment 2), and 14 September 2022 E-Vote Minutes (Attachment 3).

MOTION: Director Tonneson moved and Director Bishop seconded to approve the consent agenda. The motion was unanimously approved.

IV. Agenda

MOTION: Director Tonneson moved and Director Bishop seconded to approve the agenda. The motion was unanimously approved. The approved agenda can be found in Attachment 4.

V. Falcon Foundation Open Session

The Directors and AOG senior staff joined the Falcon Foundation to hear a presentation by Lt. Gen. Richard Clark, USAFA Superintendent. He talked about his priorities and about the recent headlines about diversity, equity, and inclusion (DEI). He noted that cadets spend 2,400 hours in their four years on warfighting, whereas only 16 hours are on formal DEI issues. He stressed the importance of being able to lead people from a diverse population. In response to a question about how equity manifests itself at the Academy, he commented that equity means ensuring all cadets are in a position to thrive and take advantage of the opportunities offered, but that we are still a merit-based organization. He cited the Falcon Foundation and Prep School as good examples of building equity.

VI. AOG Update

a. CEO Briefing

CEO Gould discussed the strategic vision and mission (Attachment 5). Everything we do is under one of the strategic imperatives to include engagement, philanthropy, stewardship, communications, and organizational excellence. He talked about signs of progress in these areas to include reunion season feedback; the maturation of class giving; graduate comments about recent headlines (he noted that even criticism is a sign of engaged graduates); the AOG plan to interview Lt Gen Clark in a *60 Minutes* type of format; and the activities of the chapters, parents, affinity groups. The 2023 Operating Plan contains goals and objectives to further each of the strategic imperatives.

The agenda had an item for a discussion on the “AOG business plan,” which came from the Board Calendar in the Governance Policy. CEO Gould noted that the Operating Plan takes the place of the business plan, but that the timing on the calendar does not match how the AOG executes the Operating Plan. The Governance Committee will relook the calendar to ensure the names and timing are adjusted appropriately.

CEO Gould discussed the status of the MOUs with the Academy Research and Development Institute (ARDI) and the Air Force Academy Athletic Corporation (AFAAC). He then showed a slide of a potential way to organize the supporting

foundations with a joint executive committee. They will work on refining this over the next several months. He noted that they are working with a private company to survey the foundations' investment committees to examine the feasibility of combining investments.

In response to a question about the Special Status Legislation Proposal, he noted that the Air Force JAG and Air Force General Counsel are in our court, but it still has to get through the Senate Armed Services Committee. They are relatively certain that it will pass in the 2023 National Defense Authorization Act, but are not sure when that will happen.

b. CEO Monitoring Reports

CEO Gould reported compliance with the required monitoring reports: 2.8 Compensation and Benefits, 2.10 Programs/Events/Services, and 2.11 Official Opinions or Recommendations. 2.11 is particularly timely based on the recent DEI press situation.

Later in the meeting, Director Mavity noted that we often do not have time to hear the details of the monitoring reports during our meetings. He suggested that the AOG submit those reports directly to the Audit Committee two weeks prior to the meeting to review them and arrange for any follow-up. The Audit Committee would then do the report to the Board.

MOTION: Director Mavity moved and Director Dudley seconded that the CEO Monitoring Reports be submitted to the Audit Committee in advance of the scheduled Board meetings for review. The motion was unanimously approved.

c. President's Report

President Hille provided a staff update. He began by talking about the single CFO model, noting that this final integration will add clarity, improve efficiency, and usher in a single employer structure. He thanked CFO Harwig for her outstanding work and provided background on Ms. Willemarck, who will assume the joint AFAF/AOG single CFO position on 1 January 2023. Financial performance is strong in 2022, but revenue will be closely watched in 2023 and expenses will be adjusted if necessary. This will be our biggest fundraising year ever. They are proposing \$35 million as a fundraising goal for 2023 and service-based revenues should increase as well. A third source of revenue will be the annual distribution from long-term funds. President Hille believes they have estimated conservatively, but noted that the broader economic climate may not cooperate. They do have a contingency plan in place if conditions deteriorate.

President Hille commented that one expression of progress is in the number of groundbreaking, cornerstone, and ribbon cuttings ceremonies we have had recently. The AOG is putting the survey feedback into action to include an audit of all

programs in 2023 to make sure the programs are present and relevant. Of note, 95% of the Class of 2026 has already pre-subscribed to be AOG members. He discussed that they anticipate reaching the \$270 million campaign goal in 2023, with still a year remaining. However, the stadium, Institute for Future Conflict, and new administrative building next door to Doolittle Hall are underfunded. He then talked about the impact of planned giving. President Hille concluded by noting the importance of building organizational excellence within the AOG, and to that end, they plan to do an employee survey.

SVP Walkewicz then discussed the Membership for All Graduates program. Sixty-seven percent of graduates are now members (34,582 members). The AOG has a targeted marking campaign for remainder of 2022. She then provided an update on the next steps related to the graduate survey results. An alumni and legacy class programs audit and review is underway. The Board will be provided with an update at the February meeting, followed by a *Checkpoints* article in March. She also discussed what the AOG has been doing to help strengthen our relationships with the Academy and graduates to include Legacy Class events, the Forged in Blue ring ceremony, and reunions. Over 5,500 graduates participated in reunions this year. The reunions were customized to recognize areas of importance to particular graduating classes.

They are continuing to enhance the reunion experience with new plans for reunions in 2023. She concluded with an update on alumni relations, the upcoming Chapter and Affinity Conference, the USAFA portal, and 2023 signature engagement opportunities. Chair Lowe highlighted the Chapter and Affinity Conference and asked SVP Walkewicz to look for opportunities to replicate the model should the Academy be invited to a bowl game.

d. Quarterly Financial Update

CFO Harwig provided the quarterly financial update (Attachment 6). The total operating revenue is currently \$3,000 under budget and total operating expenses are \$35,000 under budget. The net operating revenue is \$1.12 million compared to the \$1.15 million budgeted, a variance of \$31,534. Investment income showed a net loss of \$9.18 million (as of 31 August 2022), and it has dropped by \$12 million year-to-date. President Hille commented that we are in a good position to have an unrestricted operating endowment, and instead of thinking of gains versus losses, we should think about it as a permanent asset. We have a 6% spend policy and we focus on a conservative, steady spend. He noted that while the \$12 million looks bad, it does not impact the AOG in the way in which they think about the budgeting process. Director Strebe added that combining investment committees would provide additional opportunities from an investment standpoint.

e. Budget Approval

CFO Harwig provided an overview of the budget (also in Attachment 6). The total revenue should go up 0.89% (\$4.61 million) and the operating expenses should go down 0.08% (\$6.62 million). The AFAF grant will increase by \$50,000 over the previous amount of \$800,000. Membership revenue is down somewhat due to the amortization of the life members as we move to the Membership for All Graduates model. She then talked through the operating expense highlights. Salaries, payroll taxes, Board governance fees, subscription expenses, and facilities expenses are expected to increase. VP Hornsby noted that they want to move toward shared email technologies for the AOG and AFAF to be more efficient and hopefully reduce cost. Chair Lowe asked to be notified if the financial environment sours further and we need to cut back on Board training and travel.

MOTION: The Finance and Investment Committee moved the Board approve the 2023 Operating Budget as submitted. The motion was unanimously approved.

VII. Input from Colonel (Ret) Lucky Ekman

Chair Lowe invited Colonel (Ret) Ekman to speak. Because we now have the majority of the graduate community as members of the AOG, he asked the Directors to think about what an appropriate role for the Board as a voice for the graduate community might be. He believes we need to represent our graduates in responding to issues that attack the military and the Academy. A discussion ensued about how the AOG has a communication strategy and how some graduates have unrealistic expectations about what the AOG can and cannot do. Chair Lowe asked that Director Gunn chair a group to look into this issue. This will be discussed again in upcoming Board meetings.

VIII. Non-director Committee Members Committee

Director Bishop provided the background on a vacant position on the Audit Committee.

MOTION: The Audit Committee moved to approve Mr. Ty Shandy '97 to fill a vacant non-director voting member position. The motion was unanimously approved.

IX. AOG Committee Discussion

Director Bishop provided a recommended committee structure based on some of the lessons we learned at the NACD training in May 2022 (Attachment 7). He presented each course of action to get the sense of the Board, and noted that if some of the committees were disbanded because the AOG was already running the function, the Board would still take an interest.

Distinguished Graduate Committee, Heritage and Traditions Committee, and Awards and Recognition Committee: Ten Directors wanted to disband all three committees, while three Directors thought it made sense to combine the committees into a single Heritage

and Graduation Recognition Committee. No Director thought we should retain all three as separate committees.

Strategic Focus Committee: All 13 Directors thought the committee should be disbanded.

Governance Committee, Audit Committee, and Nominating Committee: Ten Directors thought we should retain all three as separate committees.

MOTION: Director Bishop moved and Director K. Lowe seconded that the new committee structure will include the Joint Executive Committee, Audit Committee, Finance and Investment Committee (with Investment Subcommittee), Nominating Committee, and Governance Committee. The motion passed by a vote of 12-2 (Directors Mavity and Dudley against).

X. Nominating Committee

Director Volcheff discussed the fact that we have a list of 24 candidates for the upcoming election. There is a requirement in the Governance Policy for the Nominating Committee to provide from the list of all qualified candidates a slate of those candidates that best offer the skills, talents, and capabilities the Board needs. The discussion centered around whether the Board should approve a slate of the top five candidates on the ballot.

MOTION: Director Dudley moved and Director Mueh seconded that we go into Executive Session. The motion was unanimously approved.

XI. Executive Session

The Board went into executive session IAW Bylaws Article V Section 8 at 11:17 a.m. MDT to discuss the slate of candidates and the pros and cons of selecting a slate. The Directors running for re-election and guests left the room.

MOTION: Director Tonneson moved and Director Bishop seconded that we come out of executive session. The motion was unanimously approved.

XII. Open Session

The Board went into open session at 11:43 a.m. MDT.

MOTION: The Nominating Committee recommended that the 24 candidates be approved for placement on the ballot.

Discussion: The sense of the Board was to approve the recommended 24 candidates (no withholds) to be put on the ballot and take no action on the top five candidate slate the Nominating Committee recommended to the Board. The motion was approved 10-0 (Directors B. Lowe, Mavity, Hendel, and Dudley abstained).

Committee Chair Volcheff then presented the case to change the Bylaws as far as whether someone on the Nominating Committee could run for reelection. Article VIII, Section 6, c. i- (Nominating Committee) states: “A member may not serve on the Nominating Committee during an election process in which the member is a candidate for election.”

MOTION: The Nominating Committee moved to delete this sentence and allow Nominating Committee members to be Board candidates while on the Committee.

Discussion: A discussion ensued about the fact that while it would be virtually impossible for a member of the Nominating Committee to influence the election, but that there could be a perceived conflict of interest. This does not impact any Director currently running for re-election, and because the committee structure had just been revised earlier in the meeting, the decision was made to table this motion.

XIII. Election Communication Plan

SVP Grubbs provided an update on the Election Communication Plan to include key dates, events, and efforts to get maximum participation. The candidates will be notified that they will be on the ballot on 25 October and the election page on the AOG website will be updated in November. Voting will take place from 6 February - 6 March 2023.

MOTION: Director Tonneson moved and Director Dudley seconded to go into executive session. The motion was unanimously approved.

XIV. Executive Session

The Board went into executive session IAW Bylaws Article V Section 8 at 12:42 p.m. MDT to discuss an Honorary AOG membership.

MOTION: Director Tonneson moved and Director Dudley seconded to come out of executive session. The motion was unanimously approved.

XV. Open Session

The Board went into open session at 12:54 a.m. MDT.

MOTION: Director Mueh moved and Director Dudley seconded to make Brig Gen (Ret) Harvey W. Schiller an Honorary AOG Member. The motion was unanimously approved by all Directors in attendance, as well as the Director who was not at the meeting and was subsequently contacted.

XVI. Governance Committee

Chair Lowe assigned the review of Governance Policy Chapter 4 and the Board calendar/schedule to the Governance Committee for our next quarterly meeting. He also

CEO Update

VISION:

To be an Association and Foundation of influence and impact, supporting the Academy's enduring mission of developing leaders of character for the nation and providing a lifetime of service to the long blue line.

MISSION:

Together, we support the Academy, serve our graduates and preserve the heritage of the institution.



Sharpen Focus on Strategic Imperatives:

- ENGAGEMENT
- PHILANTHROPY
- STEWARDSHIP
- COMMUNICATIONS
- ORGANIZATIONAL EXCELLENCE

Signs of Progress:

- Reunion season feedback
- Class Giving is maturing
- Engagement is evident (even criticism is a sign of engaged grads)
- Chapters, Parents, Affinity Group activity is high
- Sharpening focus on young alumni / next gen
- Dallas events in November – very promising

2023 Operating Plan contains goals and objectives to further each imperative:

- Execute programs, events and communications that increase pride & engagement among grads, parents, cadets and friends
 - Reunions – continue to focus on grad experience
 - Membership for all – increase
 - Raise \$35mm+
 - Increase revenue generation: merch, sponsorships, dues
 - Steward every gift
 - Meet capital improvement milestones
 - Move to single website
 - Move toward single employer
 - Solidify & develop partnerships with supporting foundations
 - Achieve special status designation in 2023 NDAA
 - Examine feasibility of combining investments



Association
of Graduates

Air Force Academy
Foundation

Falcon
Foundation

Board Functions –
Independent, but
coordinated

Joint Executive Committee – Executive Chairman

President/CEO

Finance /
HR

Communications

Alumni Relations

Fundraising

Facilities and
Support

Executive
Director of Falcon
Scholars Program

Staff Functions,
shared with
costs allocated



Doolittle Hall team is coalescing well in every way

Fanatical Institutional Pride is emerging



asked Committee Chair Gunn to look at the sabbatical issue as it would involve a Bylaws change. We need a decision by the time the election is over so that we can discuss potential appointed Directors, if needed. Director Dudley subsequently volunteered to head the group to look at this. Director Mavity will also be a part of the group.

XVII. Class Advisory Senate Update

Director Helms provided the Class Advisory Senate (CAS) update. From 9-19 November, the AOG will be sending out emails to the CAS Senators to vote for the three CAS officers and the executive committee members (up to 10 members). He noted that the feedback the Senators received on the DEI issue was shared with the AOG leadership, who shared it with the Superintendent. The Director of Admissions spoke at the last CAS meeting about the nomination and appointment process. Director Helms commented that he is on Congressman Doug Lamborn's panel to interview candidates for all the service academies and that the quality of the candidates is outstanding.

XVIII. Chair's Comments

Due to time considerations, Chair Lowe asked Director Bishop to defer his presentation on the Director training until the February meeting, which will be a hybrid meeting. He noted that four Directors would be attending the AFAC meeting tomorrow. He also commented that he would like to get a Prep School briefing as part of a future meeting.

XIX. Adjournment

The meeting was adjourned at 1:29 p.m. MDT so that Directors could attend the Outdoor Leadership Complex tour and briefing.

Note: Portions of the minutes may have been rearranged from the time sequence to topical sequence.

Respectfully submitted,
Virginia Caine Tonneson, Secretary

Atch:

1. 22 July 2022 Approved Meeting Minutes
2. 8 August 2022 Approved E-Vote Minutes
3. 14 September 2022 Approved E-Vote Minutes
4. 21 October 2022 Board Meeting Agenda
5. CEO Update
6. Quarterly Financial Update
7. Committee Proposal



BOARD OF DIRECTORS MEETING

22 July 2022 Meeting Minutes

APPROVED

Board Members Present: Bob Lowe '71, Chair; Will Gunn '80, Vice Chair; Ginny Caine Tonneson '80, Secretary; Hans Mueh '66; Garry Dudley '68; Mark Volcheff '75; Randy Helms '79, President, Class Advisory Senate; Brian Bishop '83; Mark Mavity '84; Dennis Dabney '89; Nancy Taylor '01; Kendra Lowe '01; Andrew Hendel '09; Joseph Bledsoe III '11.

Board Members Absent: Glenn Strebe '87, Treasurer; Emma Przybyslawski '10.

AOG Staff Present: Mike Gould '76, AOG/AFAF CEO; Mark Hille '97, AOG/AFAF President; Corrie Grubbs, SVP for Operations; Jennifer Harwig, CFO; Naviera Walkewicz '99, SVP, Alumni Relations and Business Development; Wyatt Hornsby, AOG/AFAF VP of Marketing and Communication; Emma Ross, Executive Assistant; Tony Capistrano, IT Support Specialist; Jillian Wood, Special Assistant to the President and Board; Paul Ackerman '82, VP of Academy and Community Relations.

Guests Present: Karl Weiss, President and Founder of Market Perceptions.

I. Call to Order/Chairman's Welcome

Chair Lowe called the meeting to order at 8:00 a.m. MDT, on Friday, 22 July 2022.

II. Chair's Comments

Chair Lowe discussed today's schedule to include going to the Cadet Area to talk with the Basics following their Jack's Valley march-back, the joint AOG-AFA Foundation presentation after lunch, the Joint Executive Committee meeting following the AOG meeting, and the Distinguished Graduate Award dinner in the evening. He commented on how uplifting it was to spend time with the cadets at the airfield yesterday and the importance of engagement with cadets. He also praised the Special Collections and Friends of the Library presentation that took place yesterday afternoon. He talked about how difficult it is for working Directors to attend multiple-day meetings and floated the idea of having a half-day Board meeting with Academy activities in the afternoon.

III. Consent Agenda

The consent agenda included the 12-13 May 2022 Meeting Minutes (Attachment 1).

MOTION: Director Tonneson moved and Director Gunn seconded to approve the consent agenda. The motion was unanimously approved.

IV. Agenda

MOTION: Director Tonneson moved and Director Gunn seconded to approve the agenda. The motion was unanimously approved. The approved agenda can be found in Attachment 2.

MOTION: Director Dudley moved and Director Bledsoe seconded to go into executive session. The motion was unanimously approved.

V. Executive Session

The Board went into executive session IAW Bylaws Article V Section 8 at 8:08 a.m. MDT to discuss an Honorary AOG membership nomination.

MOTION: Director Tonneson moved and Director Gunn seconded that we come out of executive session. The motion was unanimously approved.

VI. Open Session:

The Board went into open session at 8:16 a.m. MDT.

MOTION: Director Bishop moved and Chair Lowe seconded that Col (Ret) Dale O. Condit be named an Honorary AOG Member. The motion was unanimously approved by all Directors in attendance, as well as the two Directors who were not at the meeting and were subsequently contacted.

VII. AOG Update

a. CEO Review of AOG Performance

CEO Gould showed an artist's conception of the North Gate development (TrueNorth Commons) to include the office spaces, Visitor Center, and hotel (Attachment 3). He then talked about the financing. It will cost \$231.9 million for the Visitor Center hotel. Groundbreaking for the Visitor Center will be on 25 July with an anticipated grand opening in the summer of 2024. The grand opening for the hotel and conference center is anticipated for the summer of 2025 with the office spaces opening later that year.

Next, he discussed the goals and status of the operating agreements with the Academy Research and Development Institute (ARDI) and the Air Force Academy Athletic Corporation (AFAAC), as well as an update on the Special Status Legislation Proposal. Although the House has approved the proposal, success will require overcoming entrenched oppositions from the Senate Armed Services Committee. Nonetheless, CEO Gould is optimistic that it will be approved. He then talked about the four strategic focus areas to include: 1) gaining access to cadets; 2) scrubbing the data base to ensure we're maximizing our reach; 3) continuing to view

programs and services from graduates' perspectives; and 4) cultivating our next campaign's leaders.

b. CEO Monitoring Reports

CEO Gould reported compliance with the required monitoring reports: 2.5 Asset Protection and 2.6 Investment Management, which had previously been provided to the Directors via Basecamp.

c. President's Report

President Hille provided a staff update (Attachment 4). The AOG has had a very strong revenue performance in the first half of 2022. He noted that the AOG is in the relationship business not the retail business. They want to focus on why/how retail supports the mission and on elevated pride in the items they sell. He discussed the fact that although the AOG has budgeted conservatively and they have a very fit operation, there are challenges because of inflationary pressures. He anticipates the final 30 months of the campaign will put us to the test from a revenue-generating perspective, which may impact the ability to provide services. The 2023 budget will be put under pressure as we must pay talent to retain talent.

He then turned to the graduate survey results. He reviewed how the survey was framed around pride and the six different personas, which has unlocked some insights. The AOG needs to be present and relevant, and we need to be perceived as providing value at the key points in cadets' and graduates' lives. He pointed out that we have been present, but maybe not always relevant. Additionally, we also need to get younger quickly. The average age of our living grads is 46. Our highly-engaged group is quickly aging out, so we need to pay attention to that fact with our messaging and programming. To begin charting the future, they have drafted the joint AOG/AFA Foundation strategic plan to offer a roadmap for 2023-2028. He hopes to have a near-final draft to present to the Board at the October meeting.

President Hille then discussed how we have become an increasingly essential partner for the Academy. For example, we produce the only flagship publication for USAFA (*Checkpoints*), we are now fielding more than 15 contractors that provide direct support to the Academy, we are involved in 14 capital projects, and we serve as the front door for both Prep School and cadet families. Additionally, we plan and assist in major Academy events and projects such as the Distinguished Graduate Award dinner and North Gate project, respectively. Although these things are invisible to most people, the fact remains that we are an increasingly vital partner for USAFA.

Next, President Hille went through the action items from the May meeting. He explained the rationale for specific Board meeting dates and noted that 1Day1USAFA is coming up and that he hopes 100% of the Directors will participate.

SVP Walkewicz provided an AOG priorities update, noting that around 4,000 graduates have opted in for AOG membership. They are working on a marketing refresh. She reminded the group that there is a 70-day requirement for membership in order to be able to vote in the upcoming elections. That means a graduate must be a member by 29 November 2022 to participate in the election. Chair Lowe asked that the AOG double check that requirement. Survey results will be released in August to the graduates via an executive summary and comments in the next *Checkpoints*. She discussed two new key hires and the fact that they plan to have an alumni portal available in 2023. Board Director participation is requested on 2-3 November 2022 at the Chapter/Affinity Presidents Conference, which will be held in conjunction with the Army game (5 November) in Arlington TX. Chair Lowe stressed that this event is a priority.

d. Quarterly Financial Update

CFO Harwig provided the quarterly financial update (Attachment 5). The total operating revenue is currently under budget (\$2.16 million actual year-to-date compared to \$2.21 million budgeted). Total operating expenses are under budget (\$2.38 million actual year-to-date compared to \$2.55 million budgeted). The net operating revenue is \$218,525 compared to the \$339,639 budgeted, a variance of \$121,114. Investment income shows a net loss of \$6.1 million, which is a \$6.68 million variance from the 2022 year-to-date budget figure. We still have almost \$53 million in investments. Total liabilities and net assets are down from \$125.51 million in May 2021 to \$122.76 million in May 2022. She commented that we hold these investments for many years, so we are not overly concerned about this loss. The bigger concern is the budget and the wages for the upcoming year as we need to pay to retain talent. She concluded by noting that there will be an email vote to accept the Form 990 and audit results, which were previously provided to the Directors via Basecamp.

VIII. Committee Updates

a. Committee Recommendation Information

Director Bishop presented a recommendation on a revised committee structure for the Board's information and discussion. He went through each committee and the rationale for the recommendations from the group (Directors Bishop, Mavity, and Przybyslawski). They recommend disbanding the Joint Finance Committee, Awards and Recognition Committee, Distinguished Graduate Award Committee, Heritage and Traditions Committee, and Strategic Focus Committee. In some instances, the work is already being done by the AOG, while in other cases, the responsibilities may move to other committees. They are still considering whether it make sense to move the Nominating Committee under the Governance Committee. He noted that any changes would necessitate an update to the Bylaws and other documents. A discussion ensued about the impact of these recommended changes. Directors

Bishop, Mavity, and Przybyslawski will discuss our concerns and will provide an update with various options in October.

b. Nominating Committee

Director Volcheff began by showing the attributes the Board approved at the May meeting. He noted that the committee subsequently concluded that we did not need to include religion as an attribute.

MOTION: The Nominating Committee recommended that the Board approve deleting religion as a desired attribute. The motion was unanimously approved.

He then talked about the candidate videos. In the most recent election, 7 of the 29 candidates provided videos. Of those, three were elected to fill five positions. The committee recommended that the videos either be mandatory or eliminated altogether. A short discussion ensued with several Directors opining that we should leave the candidate videos as optional as it provides an opportunity to show initiative. All candidate packages must be turned in by 3 October. The committee will then provide the Board a slate of five names that best fill the desired attributes. The Board will decide what to do with the slate. There are five elected Director positions and three Appointed Director positions that will need to be filled. The AOG has been asked to reduce the amount of material required in the nomination packet and so the candidate biographies and candidacy letters will be consolidated. Committee Chair Volcheff provided a list of the 22 graduates who are in the pool of interested candidates and are planning to run for election. The list does not include any candidates that might petition to get onto the ballot.

c. Governance Committee:

Committee Chair talked about the committee's review of Category III of the Governance Policies (strikethroughs are deleted material, highlights are additions).

MOTION: The Governance Committee moved to amend the first sentence of Category III of the Governance Policies to read as follows: "The Board's ~~sole~~ *primary* connection to the operational organization (*with the exception of routine administrative matters*), its achievements and conduct will be through a Chief Executive Officer (CEO)." (Strikethroughs are deleted material and italics are additions.) The motion was unanimously approved.

Next, he discussed a recommendation to administratively amend the Bylaws to reconcile situations where "President and CEO" is used. The AOG had previously provided the recommended changes to the committee (Attachment 6).

MOTION: The Governance Committee moved that the Board amend the Bylaws to delete the phrase "President and CEO" and/or "President and Chief Executive

Officer (CEO)” and replace it with “CEO” as recommended by the staff in the attachment.

Discussion: Director Mavity clarified that the intent of the Bylaws Review Task Force was more than just word replacement; it was to ensure the corporate staff structure was accurately reflected. Committee Chair Gunn commented that the committee had looked at it from this aspect. The motion was unanimously approved.

Committee Chair Gunn then discussed the memo from legal counsel on the requirements of Colorado Law for removing elected Board members. The Governance Committee was satisfied that no changes needed to be made in the Bylaws. Director Mavity noted that new Directors should read the state law as part of the onboarding process. He suggested that all of the changes the committee has made be reviewed by legal counsel – particularly the quorum requirements – to make sure we are compliance with Colorado law. Committee Chair Gunn will do that.

The remainder of the committee reports were previously provided to the Directors via Basecamp.

IX. Chair’s Comments

Chair Lowe talked about bringing the non-profits together. He wondered whether we want to eventually merge the AOG and AFA Foundation totally together. In the upcoming Joint Executive Committee meeting, he plans to bring up the idea of exchanging non-voting members. He recommends that Director Mueh fill that role from the AOG Board. He would like to continue more crossflow, meetings, dinners, and continued interaction with the intent that every AOG Board member will attend at least one AFA Foundation meeting.

X. Joint Board Presentation

Mr. Karl Weiss presented the survey results to the AOG and AFA Foundation Boards. This was similar to the presentation he gave the AOG Board in May. A discussion ensued about the survey results to include what portions of the survey results related to the Academy versus the AOG, the importance of communication and engaging younger graduates, and potential reasons for the negative comments on the survey.

XI. Strategic Planning

CEO Gould provided an update on the work that has been ongoing with regard to strategic planning. He talked through the strategic plan to include the vision, mission, and the strategic priorities to include 1) engagement, 2) philanthropy, 3) stewardship, 4) communication, and 5) organizational excellence. Under each of these major areas are draft objectives, which the AOG will be able to use to measure accomplishment. They

are taking a hard look at the survey results. A discussion ensued about the importance of getting the USAFA senior leadership to understand our strategic priorities, the importance of engaging younger graduates, and potential name changes to the AOG.

XII. Adjournment

The meeting was adjourned at 2:35 p.m. so that Board officers could attend the Joint Executive Committee Meeting.

Note: Portions of the minutes may have been rearranged from the time sequence to topical sequence.

Respectfully submitted,
Virginia Caine Tonneson, Secretary

Atch:

1. 12-13 May 2022 Approved Meeting Minutes
2. 22 July 2022 Board Meeting Agenda
3. CEO Update
4. President's Update
5. Quarterly Financial Update
6. Bylaws Changes



BOARD OF DIRECTORS ELECTRONIC VOTE

Form 990 and Audit

8 August 2022

APPROVED

Board Voting Members Participating: Bob Lowe '71, Chair; Will Gunn '80, Vice Chair; Ginny Caine Tonneson '80, Secretary; Glenn Strebe '87, Treasurer; Hans Mueh '66; Garry Dudley '68; Mark Volcheff '75; Randy Helms '79, President, Class Advisory Senate; Brian Bishop '83; Mark Mavity '84; Dennis Dabney '89; Nancy Taylor '01; Kendra Lowe '01; Andrew Hendel '09; Emma Przybyslawski '10; Joseph Bledsoe III '11.

Materials were provided on Basecamp to allow Directors to approve the 2021 Audit and Form 990.

MOTION: The Audit Committee moved that the 2021 Audit and Form 990 be approved.

The vote was conducted via Basecamp and email on 1-8 August 2022 and approved by a vote of 16-0.

Respectfully submitted,

Virginia Caine Tonneson, Secretary



BOARD OF DIRECTORS ELECTRONIC VOTE

Director Reimbursement

14 SEPTEMBER 2022

APPROVED

Board Voting Members Participating: Bob Lowe '71, Chair; Will Gunn '80, Vice Chair; Ginny Caine Tonneson '80, Secretary; Glenn Strebe '87, Treasurer; Hans Mueh '66; Garry Dudley '68; Mark Volcheff '75; Randy Helms '79, President, Class Advisory Senate; Brian Bishop '83; Mark Mavity '84; Dennis Dabney '89; Nancy Taylor '01; Kendra Lowe '01; Andrew Hendel '09; Emma Przybyslawski '10; Joseph Bledsoe III '11.

MOTION: Director Tonneson moved and Director Dudley seconded that in addition to the Board meetings, Directors be reimbursed for up to 2 approved trips per year in support of the AOG.

The vote was conducted via Basecamp and email on 13-14 September 2022 and approved by a vote of 16-0.

Respectfully submitted,

Virginia Caine Tonneson, Secretary



Board of Directors Meeting Agenda
20-22 October 2022

20 October 2022

5:00 – 6:30 p.m.

Board Reception with Space Force Cadets, Cadet Candidates, and Academy Preparatory School Staff
Library, Doolittle Hall

Attire: Business Casual

21 October 2022

7:15 – 7:45 a.m.

Breakfast – Library, Doolittle Hall

7:45 – 7:55 a.m.

Board Meeting – Board Room

Attire: Business Casual

- I. Call to Order/Chairman's Welcome
- II. Moment of Silence & Pledge of Allegiance
- III. Notified Absences & Introductions
- IV. Consent Agenda Approval
 - a. 21-22 July 2022 Board Meeting Minutes
 - b. 8 August 2022 E-Vote Minutes
 - c. 14 September 2022 E-Vote Minutes
- V. Agenda Approval

8:00 – 9:00 a.m.

Falcon Foundation Open Session – Assembly, Doolittle Hall

Guest Speaker: Lt. Gen. Richard Clark, USAFA Superintendent

9:10 a.m. – 10:00 a.m.

- VI. AOG Update
 - 1. CEO Briefing (*CEO Gould*)
 - a. AOG Business Plan to Directors

2. CEO Monitoring Reports (*CEO Gould*)
 - a. 2.8 Compensation and Benefits
 - b. 2.10 Program/Events/Services
 - c. 2.11 Official Opinions or Recommendations
3. Staff Update (*President Hille*)
 - a. Quarterly Financial Update (*Jennifer Harwig, CFO*)
 - b. Budget Approval

10:00 a.m. – 11:30 a.m.

- VII. Nominate non-director Committee Members
- VIII. AOG Committee Structure COA Discussion/Decision (*Dir. Bishop*)
- IX. AOG BOD Training Discussion (*Dir. Bishop*)
- X. Committee Updates
 1. Nominating Committee (*Dir. Volcheff*)
 - a. Approve Candidates for Ballot
 - b. Bylaws change proposal
 - c. AOG Election Communication Plan (*Corrie Grubbs, SVP, Operations*) -

11:30 a.m. – 12:00 p.m.

Lunch

12:00 p.m. – 1:30 p.m.

2. Honorary Member Discussion (*Dir Mueh*)
3. Governance Committee (*Dir. Gunn*)
 - a. Assign Governance Policy, Chapter 4
 - b. Assign Calendar/Schedule Review
4. Finance and Investment Committee (*Dir. Strebe*)
 - a. FMIP Update
- XI. Class Advisory Senate Update (*Dir. Helms*)

1:45 p.m.

Outdoor Leadership Complex Tour and Briefing

Tour and briefing (Transportation will leave Doolittle promptly at 1:45 p.m.)

6:00 p.m.

Falcon Foundation Annual Reception & Banquet

Arnold Hall, USAF Academy

Attire: Black Tie/Tux

22 October

2:00 - 4:00 p.m.

AOG Tailgate

Falcon Alley

5:00 p.m.

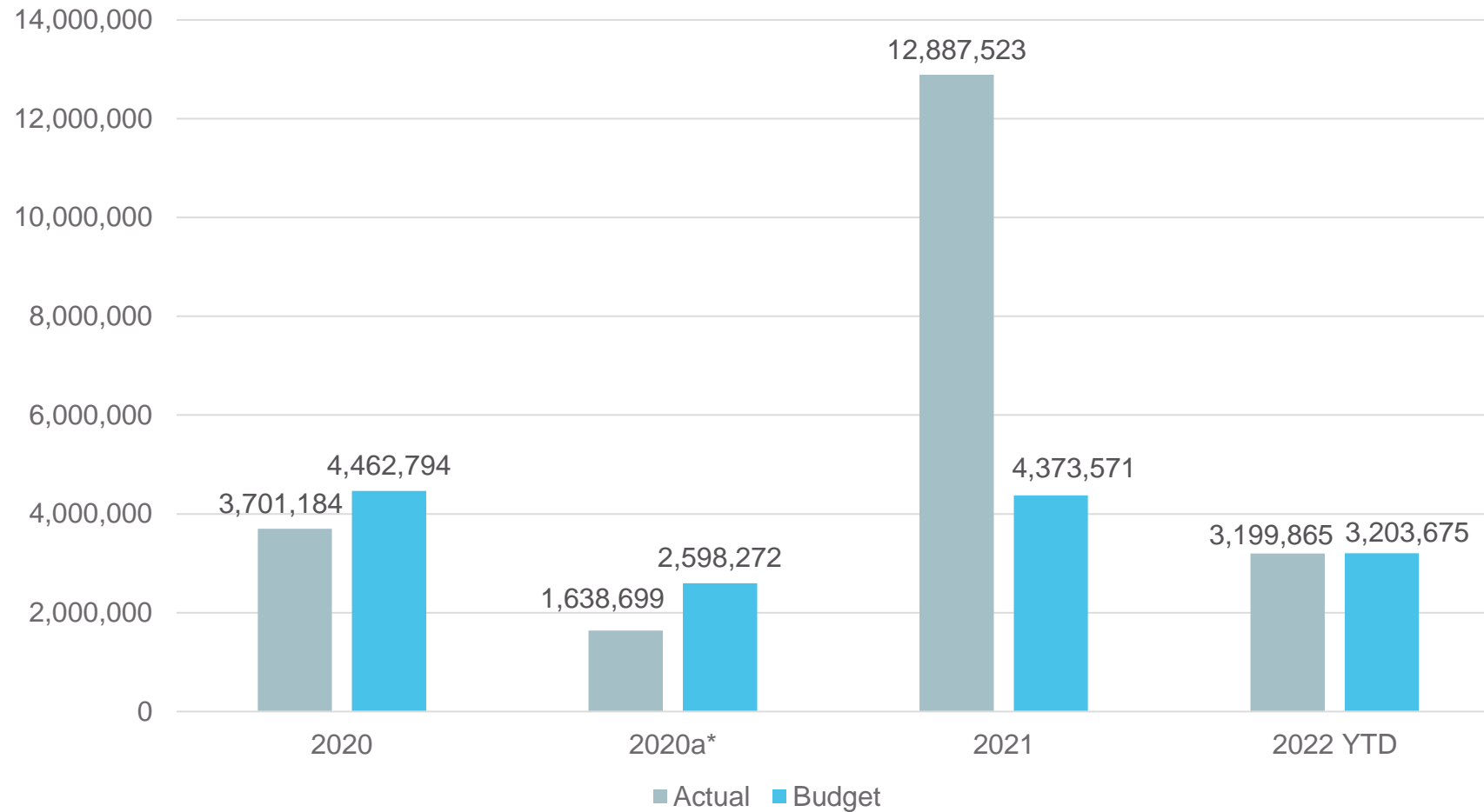
Boise State Broncos v. Air Force Falcons



2022 Financial Update

Total Operating Revenue

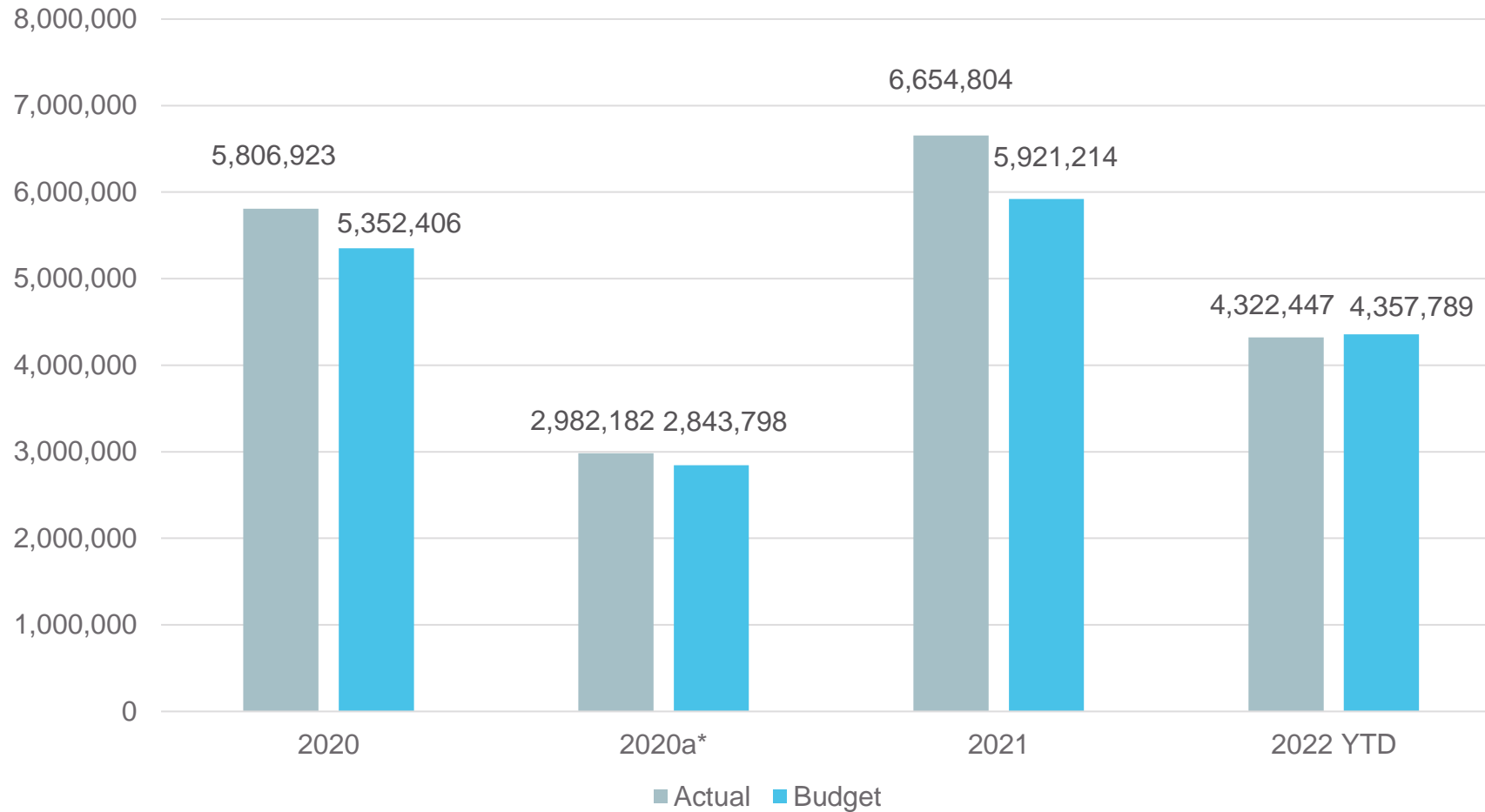
Budget to Actual



* 6-month period from July 1 to Dec 31, 2020 to change

Total Operating Expenses

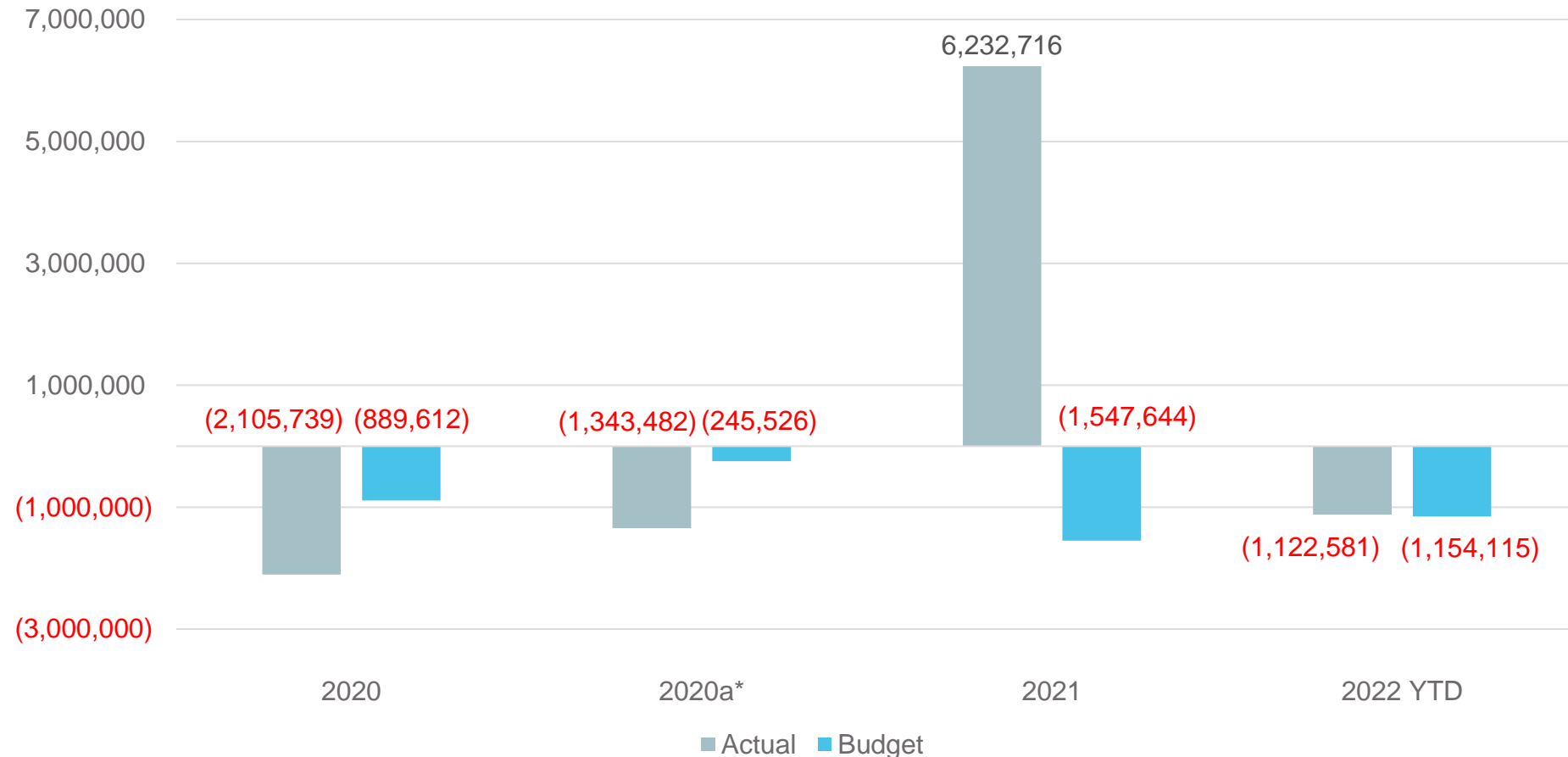
Budget to Actual



* 6-month period from July 1 to Dec 31, 2020 to change

Net Operating Revenue

Budget to Actual



* 6-month period from July 1 to Dec 31, 2020 to change

Income Statement

| | 2021 YTD Actual | 2022 YTD Actual | 2022 YTD Budget | Variance |
|---------------------------|--------------------|--------------------|--------------------|---------------|
| Operating Revenue | \$3,361,118 | \$3,199,203 | \$3,203,675 | (\$3,810) |
| Salary & Benefits | 2,029,165 | 2,145,484 | 2,402,165 | (256,681) |
| Other Expenses | 1,907,854 | 2,176,963 | 1,955,624 | 221,339 |
| Total Operating Expenses | 3,937,019 | 4,322,447 | 4,357,789 | (35,343) |
| Net Operating Gain/(Loss) | (575,900) | (1,122,581) | (1,154,115) | 31,534 |
| Investment Income | 4,932,782 | (7,728,222) | 1,478,345 | (9,206,567) |
| Net Gain/(Loss) | \$4,356,882 | (\$8,850,803) | \$324,230 | (\$9,175,033) |

Balance Sheet

| | Aug 31, 2021 | Aug 31, 2022 |
|--------------------------------------|-----------------|-----------------|
| Assets | | |
| Cash | \$405,685 | \$1,005,981 |
| Investments | 62,420,433 | 50,156,244 |
| Beneficial Interest in Trust | 60,633,909 | 64,854,207 |
| Other Assets | 4,911,974 | 4,249,979 |
| Total Assets | \$128,372,001 | \$120,266,411 |
| Liabilities & Net Assets | | |
| Total Liabilities | \$11,752,402 | \$3,978,747 |
| Net Assets Without Donor Restriction | 37,882,880 | 36,378,841 |
| Net Assets With Donor Restriction | 78,736,719 | 79,908,823 |
| Total Net Assets | 116,619,599 | 116,287,664 |
| Total Liabilities and Net Assets | \$128,372,001 | \$120,266,411 |



2023 Budget Overview

2023 Budget Overview

| | <u>Proposed</u> | <u>Approved</u> | <u>Percentage</u> |
|---------------------------------------|-----------------|-----------------|-------------------|
| | <u>FY 2023</u> | <u>FY 2022</u> | <u>Variance</u> |
| Total Revenue | 4,617,234 | 4,576,508 | 0.89% |
| | | | |
| Operating Expenses | 6,616,970 | 6,622,579 | 0.08% |
| | | | |
| Operating Deficit before Other Income | (1,999,736) | (2,046,071) | 2.26% |
| | | | |
| Investment Distribution | 2,028,545 | 2,218,595 | (8.57)% |
| | | | |
| Net Surplus | 28,809 | 171,524 | (83.30)% |

2023 Budget Overview

- **Revenue Highlights**
 - Foundation Grant increases \$50K
 - Membership Revenues to decrease slightly:

| <u>Membership Type</u> | <u>FY2023 Budget</u> | <u>FY2022 Budget</u> |
|-------------------------------------------------------------------|----------------------|----------------------|
| Continuing Amortization of Life Memberships: | \$ 89,499.00 | \$258,000.00 |
| Memberships including Family Plan (\$26 x 2,699 members/month) | <u>\$846,900.00</u> | <u>\$734,400.00</u> |
| Total Membership Revenue | \$936,399.00 | \$992,400.00 |

2023 Budget Overview

- **Operating Expense Highlights**
 - **Salaries** are expected to increase slightly, allowing for cost of living and merit increases, and a small bonus pool
 - **Payroll Taxes** increase to support the cost of the CO FAMLI legislation
 - **Board Governance** fees will rise 143% to include board support, board travel and election expenses
 - **Subscription expenses** increase to include upgrades for merchandising sales systems, e-mail marketing program, and other IT improvements
 - **Facilities expenses** increase to include new janitorial service and improved internet service

Motion – from the Finance and Investment Committee

Motion: The Finance and Investment Committee moves the Board approve the 2023 Operating Budget as submitted.

Background: The budget is an annual requirement to be approved by the Board. Fiscal year 2023 is the first year the budget represents the “membership for all graduates” operating model, greatly expanding digital programming for all constituents, strengthening our communications efforts, and completing a comprehensive member survey for the first time in nearly 15 years. We will also invest, where needed, in our facilities with a view that any improvements should be limited based on plans for a total renovation of Doolittle Hall in five to seven years. Finally, we will partner with the Air Force Academy Foundation on the largest comprehensive campaign in Academy history, specifically focused on expanding our number of meaningfully engaged participants—or cadets, graduates, parents and friends.

Decision

Committee Review Discussion

Directors:

Brian Bishop

Emma Przybyslawski

Mark Mavity

Recommended Committee Structure

Joint Executive Committee

Audit Committee

Finance and Investment Committee

Investment Sub-committee

Nominating Committee

Governance Committee

Awards and Recognition Committee

Distinguished Graduate Committee

Heritage and Traditions Committee

Strategic Focus Committee

Joint Finance Committee

DG, H&T, and A&R Committees

COA 1 - Retain As Separate Committees

a) No change to existing roles and responsibilities between the Board and the AOG Staff

Rationale:

1. No changes needed to Governance Policies manual and Bylaws

COA 2 - Combine into a single Heritage and Graduate Recognition Committee

a) Board committee role descoped to provide only recommendations and guidance to the AOG regarding existing and potential heritage graduate recognition

b) AOG staff assumes ownership of all execution tasks

Rationale:

1. Consistent with respective roles/responsibilities of the Board and the AOG staff

2. AOG already largely doing the heavy lifting in these areas

3. Significant overlap of what should be the Board's role across the existing separate committees

COA 3 - Disband DG, H&T, and A&R Committees

a) All matters pertaining to Heritage and Graduate Recognition that the AOG would like to bring before the Board for guidance and approval would need to be dealt with at the Board level, without committee-level engagement and attention beforehand

b) AOG staff assumes ownership of all execution tasks

Rationale:

1. Arguably, Heritage and Graduate Recognition should be the domain of the Association writ large, as opposed to the Board

2. Could function as a committee of the AOG with potential increased participation of non-Board Graduate members, thereby increasing Engagement

Strategic Focus Committee

COA 1 – Retain

Rationale:

- a) Maintain dedicated touchpoint between Management and the Board on Strategy issues*
- b) Would require codification as a standing committee in the Bylaws and Governance Policies manual*

COA 2 – Disband

Rationale:

- a) Strategic Focus is a fundamental and existential purpose of the entire Board, and prima facie duty of each Director, and should not be subordinated to a committee-level responsibility*
- b) Not currently codified as a standing committee in either the Bylaws or BoD Governance Policies*

Gov, Audit & Nom Committees

COA 1 – Retain As Separate Committees

Rationale: *No Governance Policies manual or Bylaw changes needed*

COA 2 – Combine Audit and Governance

Rationale:

- a) *Consistent with Board structure as presented by NACD*
- b) *Bylaws and Governance Policies manual currently place traditional Audit responsibilities for issues of ethical concern and adjudication of conflicts of interest under Governance*

COA 3 – Combine Nominating and Governance

Rationale:

- a) *Retains Audit as an independent “IG-like” compliance entity*
- b) *Avoids potential conflicts of interest with Governance roles*

Information for decision

Scope: To examine our committee structure and recommend changes (if any) based on what we learned during our May 12-13, 2022 meeting

Role of this review:

- Examine our current committee structure
- Examine potential committee responsibility shortfalls
- Not to develop committee charter or membership requirements
- Provide recommendations for discussion / decision
- There will be By-Law changes or policy document changes based on the decisions made – not addressed here
- Listen to recommendation rationale in total before decision

Role of Committee (NACD):

- Not to do the work of management (staff) – i.e. Management develops strategy and the board uses its knowledge and insight to question and challenge to reinforce strategy – the board does not dictate the strategy to management
- Be the subject matter experts
- Effective way to divide and conquer the workload
- Committee members should look at their responsibilities through a wider lens
- Delegation to committees does not abdicate the entire board from its responsibility

Current Committee Structure

- Joint Executive Committee
- Audit Committee
- Finance and Investment Committee
 - Investment Sub-committee
- Nominating Committee
- Governance Committee
- Awards and Recognition Committee
- Distinguished Graduate Committee
- Heritage and Traditions Committee
- Strategic Focus Committee
- Joint Finance Committee??

Information for decision

Committee

Joint Executive Committee

Audit Committee

Finance and Investment Committee

Investment Sub-committee

Nominating Committee

Governance Committee

Awards and Recognition Committee

Distinguished Graduate Committee

Heritage and Traditions Committee

Strategic Focus Committee

Joint Finance Committee

Discussion

Recommendation: Retain

- Executive coord with AFAF
- Additional responsibilities of CEO Compensation and Joint Finance wrt AFAF

Information for decision

Committee

Joint Executive Committee

Audit Committee

Finance and Investment Committee

Investment Sub-committee

Nominating Committee

Governance Committee

Awards and Recognition Committee

Distinguished Graduate Committee

Heritage and Traditions Committee

Strategic Focus Committee

Joint Finance Committee

Discussion

Recommendation: Disband

- Responsibility subsumed in the Joint Executive Committee

Information for decision

Committee

Joint Executive Committee

Audit Committee

Finance and Investment Committee

Investment Sub-committee

Nominating Committee

Governance Committee

Awards and Recognition Committee

Distinguished Graduate Committee

Heritage and Traditions Committee

Strategic Focus Committee

Joint Finance Committee

Discussion

Recommendation: Retain

- Generally considered all boards are required to have
- Essential for financial audit oversight
- Maintain as a separate committee to maintain impartiality
- Assess & manage risk wrt budgets, infrastructure, IT, etc.
- Additional responsibilities of whistle blower reporting, ethics or conflict of interest violations and/or membership disengagement

Information for decision

Committee

Joint Executive Committee

Audit Committee

Finance and Investment Committee

Investment Sub-committee

Nominating Committee

Governance Committee

Awards and Recognition Committee

Distinguished Graduate Committee

Heritage and Traditions Committee

Strategic Focus Committee

Joint Finance Committee

Discussion

Recommendation: Retain

- Generally considered all boards are required to have
- Investment sub-committee is supportive of finance committee
- Need expertise of this membership

Information for decision

Committee

Joint Executive Committee

Audit Committee

Finance and Investment Committee

Investment Sub-committee

Nominating Committee

Governance Committee

Awards and Recognition Committee

Distinguished Graduate Committee

Heritage and Traditions Committee

Strategic Focus Committee

Joint Finance Committee

Discussion

Recommendation: Retain

- Possibly combine with Governance Committee
- Needed to develop director competencies for elections
- Potential additional duties to assist with director succession planning and director on-boarding process

Further Discussion as to what the Nominating Committee should provide: Slate?
Factors into whether Nominating and Governance should be combined

Information for decision

Committee

Joint Executive Committee

Audit Committee

Finance and Investment Committee

Investment Sub-committee

Nominating Committee

Governance Committee

Awards and Recognition Committee

Distinguished Graduate Committee

Heritage and Traditions Committee

Strategic Focus Committee

Joint Finance Committee

Discussion

Recommendation: Retain

- Generally considered all board are required to have
- Possibly combine with Nominating Committee

Information for decision

Committee

Joint Executive Committee

Audit Committee

Finance and Investment Committee

Investment Sub-committee

Nominating Committee

Governance Committee

Awards and Recognition Committee

Distinguished Graduate Committee

Heritage and Traditions Committee

Strategic Focus Committee

Joint Finance Committee

Discussion

Recommendation: Disband

- AOG staff is doing this function collecting nominees, etc.
- Not inherently a director's responsibility
- Director works with AOG staff to keep the board informed
- Reach out to graduates to conduct the selection for board approval

Information for decision

Committee

Joint Executive Committee

Audit Committee

Finance and Investment Committee

Investment Sub-committee

Nominating Committee

Governance Committee

Awards and Recognition Committee

Distinguished Graduate Committee

Heritage and Traditions Committee

Strategic Focus Committee

Joint Finance Committee

Discussion

Recommendation: Disband

- AOG staff hired fulltime member to manage Heritage Trail among other things
- Not inherently a director's responsibility
- Director works with AOG staff to keep the board informed
- Reach out to graduates to review H&T submissions, etc
- Submissions meeting a certain criteria require board approval

Information for decision

Committee

Joint Executive Committee

Audit Committee

Finance and Investment Committee

Investment Sub-committee

Nominating Committee

Governance Committee

Awards and Recognition Committee

Distinguished Graduate Committee

Heritage and Traditions Committee

Strategic Focus Committee

Joint Finance Committee

Discussion

Recommendation: Disband

- AOG staff provides the strategy to the board
- Board will question and challenge to reinforce strategy