



BOARD OF DIRECTORS MEETING

21 October 2022 Meeting Minutes

PROVISIONAL

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 marketing 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

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 AFAF 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