

2004 ANNUAL REPORT USOF ENDOWMENT FUND INC.

PRESIDENT'S LETTER

The Endowment Fund has been in operation for two and a half years now. When we started the Endowment Fund our investment strategy was to invest in the US economy by putting a majority of the fund into an index fund that tracked the S&P. We followed this strategy from January, 2002, until December, 2002. However, in the latter half of 2002 we reviewed our investment strategy and decided that we needed to strive for a stronger return. We revised our strategy from following a broad index of the US economy to investing in a small number of undervalued companies that have a much better chance of outperforming the market. We implemented this strategy by investing in two mutual funds that exemplify this strategy. We have been invested in these two mutual funds since February, 2003.

We have had the Endowment Fund in operation for three fiscal years now and we are continuing to look forward. We spent the initial period getting our investment strategy right and setting up the operations of the Endowment Fund. We are now working with USOF to get the word out about the Endowment Fund, in hopes of starting to increase donations in this long-term growth vehicle for USOF.

SUMMARY OF INVESTMENT POLICIES AND PRACTICES

Prior to the actual opening of the Endowment Fund, the Directors of the Endowment Fund discussed various investment strategies. The initial strategy was to invest the bulk of the fund in a total stock market index fund with the balance in a money market fund in an equity-to-money-market-fund ratio of 70/30. We used Vanguard's Total Stock Market Index Fund and a Vanguard money market fund to implement this strategy.

Subsequently, our Investment Officer examined other strategies and recommended that the Board consider looking at a small number of actively-managed mutual funds or individual stocks that could out-perform the market index. It was agreed that the current size of the Endowment Fund precluded individual stock investments due to the higher risk inherent in a concentrated portfolio. However, the Board studied and agreed with the recommendation to shift funds into Long Leaf Partners Fund and Clipper Fund. Both are actively managed funds which focus on under-valued companies. In addition, it was decided to increase the equity portion of the portfolio to 90% from 70% to take advantage of the higher long-term growth potential of equities. All equity investments were split equally between the two funds.

During 2004 both Funds grew substantially but at different rates. We rebalanced assets between the two funds to keep the 50/50 split on equity investments. We continue to hold 10% of the assets in cash.

Our current policy is that we will not hold individual securities and that any securities received as a donation will be sold at once and invested in the current asset choices.

MANAGEMENT'S DISCUSSION OF FINANCIAL RESULTS

Total Assets under management by the Endowment Fund were \$69,496 at 2004 fiscal year-end. The Endowment Fund operates on a June 30 fiscal year basis. It was created in January, 2002, with \$52,070 infused by USOF in 2002, \$7,948 in 2003 and \$4,590 in 2004. In 2003, the Fund began the yearly distribution to USOF of 4% of its calendar year-end assets as required by the Fund's Charter.

Financial results for 2004, a 15% return on investment, reflect the positive impact of an improving stock market on the performance of the equity portion, as well as the full year effect of the increased weighting of the portfolio into equities versus only a partial year of the higher weighting in 2003. As a result, Net Assets increased by \$8,921 in 2004, totally eliminating the \$1,240 loss at the end of last year.

Cash on hand has been increased to \$7,518 in order to maintain the 10% cash allocation and to fund the USOF requirement.

OFFICERS

Mike A. Fritz President and Director
Charles C. DeWeese Secretary and Director
Samuel D. Burd, Jr. Treasurer and Director
W. Mikell Platt Investment Officer and Director
Open Director

ACCOUNTANT'S REPORT

To The Officers and Directors
USOF Endowment Fund Inc.

I have compiled the accompanying statement of net assets of the United States Orienteering Federation Endowment Fund Inc. as of June 30, 2004, and the related statements of changes in net assets and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services (SSARS) issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of the Corporation's Board of Directors. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them. I am not independent with respect to the USOF Endowment Fund Inc.

UNITED STATES ORIENTEERING FEDERATION ENDOWMENT FUND INC.

Notes to the Financial Statements

I. Accounting Principles and Practices

A. The Corporation maintains its records on the cash basis of accounting, an Other Comprehensive Basis of Accounting.

B. Cash consists mainly of a money market mutual fund.

C. Investments in marketable securities are reported at fair value.

D. Financial statements represent the net assets and changes in net assets of the Corporation. The Corporation has no stockholders.

II. Sources and Uses of Funds

The Corporation, according to its exempt purpose, receives funds from the United States Orienteering Federation Inc., investing them according to policies established by the Board of Directors. A stated share of the Corporation's assets will be returned to the Federation after December 31 of each year.

III. Nature of Corporation and Related Entity

The USOF Endowment Fund Inc. is a 501(c)(3) charity and qualifies as a non-private foundation due to its relationship to the United States Orienteering Federation Inc., a 501(c)(3) charity which receives support from contributions and membership fees. Expenses of the Endowment Fund related to communications, fundraising, and general office are paid by the Federation.

IV. Tax Status

The Corporation files form 990 annually with the Internal Revenue Service. Assets are reported at fair value. Officers and Directors are uncompensated. There are no other disqualified persons associated with the Corporation.