

2006 ANNUAL REPORT USOF ENDOWMENT FUND INC.

PRESIDENT'S LETTER

The Endowment Fund has been in operation for four and a half years now. Initially, the Endowment Fund Board's 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 of 2002 until December of 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 in early 2003 by investing in two mutual funds that exemplify this strategy. In late 2005 one of the funds had a major change in management and we moved the assets into another high quality value oriented fund.

We are now working with USOF to get the word out about the Endowment Fund, in order to increase donations in this long-term growth vehicle for USOF.

This year we are fortunate to have a new Board member, Mike Ball. In addition to his regular board duties, Mike was also responsible for getting the Endowment Fund prominently placed on the USOF website. Please check out the results at www.us.orienteering.org.

We would also like to thank Mikell Platt for his help in getting the Endowment Fund going from its inception and his subsequent many years of service on the Board. Mikell will continue to be involved with the Endowment Fund as the Investment Advisor.

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. In late 2005, the Clipper Fund had a major change in their investment managers and the Endowment Fund Board agreed with the Investment Advisor's recommendation to transfer the Clipper assets into the Fairholme Fund (which has similar characteristics to Clipper).

We have continued to hold a nominal 10% of total 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 \$82,177 at 2006 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. USOF made subsequent infusions of \$7,948 in 2003, \$4,590 in 2004, \$3,180 in 2005 and \$5,200 in 2006. 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. The Endowment Fund distributed \$2,946 to USOF in 2006 -- a cumulative \$8,438 distribution since the Fund's inception.

Cash on hand has increased to \$10,909 in order to maintain the 10% cash allocation and to fund the current USOF payment. Net Assets, which represent the cumulative Endowment Fund earnings on the funds infused by USOF (net of distributions to USOF) increased by \$7,717 in 2006 to a total of \$17,627.

Financial returns for 2006 reflect the positive impact of an improving stock market and higher interest rates. Overall, in 2006, our investments have out-performed the broader S&P 500 market index due to the strong performance of value-focused funds. While results will vary from year to year, we continue to believe that the investment strategy we have chosen to pursue will also provide higher than average returns over the long term.

	Year Ending 6/30/06	<u>Annualized Returns</u> 3 Years ending 6/30/06	Since Inception
Endowment Fund	10.7%	9.6%	5.5%
S&P 500 Index	8.6	11.2	----
Average Money Market	3.4	1.7	----

OFFICERS

Mike A. Fritz **President and Director**
Charles C. DeWeese **Secretary and Director**
Samuel D. Burd, Jr. **Treasurer and Director**

Michael C. Ball Director
Open Director

INVESTMENT ADVISOR W. Mikell Platt

ACCOUNTANT Catherine Ann Yekenevicz

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, 2006, 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.

Catherine Ann Yekenevicz

August 2006

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.