

2008 ANNUAL REPORT USOF ENDOWMENT FUND INC.

PRESIDENT'S LETTER

I am very pleased to report the 2008 results for the USOF Endowment Fund. This year, the Fund finished with \$100,078 in total assets, despite a difficult year in the financial markets.

Essentially, the Endowment Fund has doubled in size since it was started in January, 2002 with \$52,070, while paying out over \$15,000 to support USOF operations.

The Endowment Fund returns 4% of its total assets to USOF each year to support USOF operations. As the result of the Fund's growth over the past six and a half years, currently more than \$3,000 is available each year for this transfer.

We welcomed a fifth member to the Endowment Fund Board of Directors this year. Tim Parson, from NEOC, joined the Board. Tim is the Director of Finance and Operations for an independent day school in Massachusetts. Prior to his position at the school, Tim was a commercial banker specializing in non-profit organizations. Tim has an A.B. degree from Harvard College and an M.B.A. from Boston University. Tim has been orienteering since 1985, and says he wishes he had started sooner. He joins our existing Board members — Stephen Fluegel, Chuck Ferguson, Tom Overbaugh, Mike Ball, and Mikell Platt, our Investment Advisor.

Michael Ball
President, Board of Directors
USOF Endowment Fund

SUMMARY OF INVESTMENT POLICIES AND PRACTICES

The Board has adopted a long-term investment perspective for the Endowment Fund. Over time, riding out the markets' inevitable ups and downs has proven much more effective than selling into panic or chasing the hottest trend. Even missing a few of the markets' best days can significantly diminish returns. Patience also affords the benefits of compounding — of earning interest on additional income or reinvested dividends and capital gains. While staying the course doesn't eliminate risk, it can considerably lessen the effect of short-term declines.

At the start of each year, the Fund rebalances its short term investments, in a Vanguard Money Market Account, to ensure that approximately two years' worth of transfers to USOF can be funded without needing to liquidate any equity holdings.

The remainder of the Fund is invested in two no-load actively-managed mutual funds, the Fairholme Fund and the Longleaf Partners Fund.

MANAGEMENT'S DISCUSSION OF FINANCIAL RESULTS

Total Assets under management by the Endowment Fund were \$100,078 at 2008 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 (from member contributions and lifetime membership fees) of \$7,948 in 2003, \$4,590 in 2004, \$3,180 in 2005, \$5,200 in 2006, \$10,210 in 2007 and \$8,085 in 2008. 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 \$3,828 to USOF in 2008 — a cumulative \$15,494 distribution since the Fund's inception.

Short term investments at year-end totaled \$6,980 and help ensure that two years' worth of transfers to USOF could be funded without needing to liquidate any equity holdings. Net Assets, which represent the cumulative Endowment Fund earnings on the funds infused by USOF (net of distributions to USOF) decreased by \$9,286 in 2008 to a total of \$24,288.

Domestic and international securities markets struggled in 2008. Many stock benchmarks suffered double-digit losses through the first half of this year. Overall, in 2008 our investments out-performed the broader S&P 500 market index. 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.

	YTD %	<u>Annualized Returns</u> as of June 30, 2008		
		One Year %	Three Year %	Five Year %
Longleaf Partners	- 8.23	-17.30	5.19	7.57
Fairholme	- 5.90	- 3.47	9.83	15.24
S&P 500 Index	-11.91	-13.12	4.41	7.58
Vanguard Prime MMA	1.55	4.11	4.45	3.21
Lipper Average MMA	1.25	3.48	3.79	2.60

OFFICERS

Michael Ball **President and Director**
Thomas Overbaugh **Secretary and Director**
Stephen Fluegel **Treasurer and Director**
Charles Ferguson **Education and Public Information**
Director, Liaison to USOF Board
Tim Parson **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, 2008, 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 2008

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.