



**2007**

National Academy Foundation  
Annual Report



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# About NAF

The National Academy Foundation (NAF) is an acclaimed national network of high school career academies predominately based in urban districts—schools within schools—with rigorous, career-themed curricula created with current industry and educational expertise. Each year, NAF serves more than 50,000 students in over 500 Academies in 40 states and the District of Columbia through the Academy of Finance, the Academy of Engineering, the Academy of Hospitality & Tourism, and the Academy of Information Technology.

NAF was founded by Sanford I. Weill, Chairman Emeritus of Citigroup Inc., as a partnership between business leaders and educators. Employees of more than 2,500 businesses support NAF students by securing paid internships, volunteering in classrooms, acting as mentors, and serving on local Advisory Boards.

NAF's record of success with 90% graduation rates and more than 80% of these graduates going on to college, has garnered the support of corporations, public policy makers, and foundations, including the Bill & Melinda Gates Foundation. For more information visit [www.naf.org](http://www.naf.org).

# Mission

The mission of the National Academy Foundation (NAF) is to sustain a national network of career academies to support the development of America's youth toward personal and professional success in high school, in higher education, and throughout their careers.

**On the cover:** JD Hoyer, President of the National Academy Foundation, and Sanford I. Weill, Chairman of the Board and Founder of the National Academy Foundation, are surrounded by students from Jacqueline Kennedy-Onassis High School in New York City, which houses an Academy of Hospitality & Tourism. (photo by Robyn Twomey)

# Letter from the President

I was thrilled to assume the role of President of the National Academy Foundation in January, 2007. Through my work with the organization in a consulting capacity over the last decade and a half, I have witnessed the deep dedication that exists within each person connected to NAF Academies. The National Academy Foundation is proud to be a leader in the strong and growing career academy movement in the U.S. Our model is proven to work in communities across the country, but we recognize that our opportunity to further impact the course of school reform lies in maximizing the potential of the students, teachers, Academy directors, administrators, Advisory Board members, volunteers, internship providers, and alumni who make up our national network. By leveraging their expertise and commitment, and by creating more opportunities for collaboration, we can increase positive outcomes for young people. In 2007, NAF made tremendous strides in infusing our work with this goal of collaborative work.

Each of the representatives from NAF's network who you will meet in this report are making a difference in their communities and in their Academies, as well as contributing to the success of the NAF network and the advancement of the career academy movement. Andrea Montero, a high school senior in Orlando, Florida, took the stage at our 2007 Gala Dinner to share with business and philanthropic leaders her transformative internship experience. Michael Henson, the principal of Porterville High School in Porterville, California, has been a vital member of the pilot cohort of our thirteen Academies of Engineering. The Academy of Engineering, our newest theme, was launched in September, 2007 in San Diego, California, at NAF's first Corporate-Education summit.

In 2007 NAF introduced several new initiatives focused on providing teachers, Academy Directors, administrators, and Advisory Board members with tools to share best practices and guide NAF's professional development. NAF, with the support of the Pearson Foundation, named 45 teachers Curriculum Fellows, including Chicago Academy of Finance teacher Victoria Mosley-Raggs. Curriculum Fellows came together in conference calls, Webinars, online forums, and in-person

meetings to review, pilot, and revise six of the courses NAF developed in 2007. Through ASPIRE (Academy Support for Programs In Reach of Excellence), Academy Directors like Kit Becnel participated in Design Studios with other NAF Academy schools, and brought best practices back to their schools to move their Academies to high performance.

Advisory Board member Joe Kmoch of Milwaukee, Wisconsin became a member of the newly formed NAF Advisory Board Leaders Council which provides industry-based feedback on curricula, internships supports and also technical assistance needs for Advisory Board members.

The success of NAF Academies is centered on the involvement of the business community. From chief executives on down we receive support from individuals who devote their time and effort to providing young people with work-based experiences that will inform their academic and career decisions for the rest of their lives. Business people such as Marriott's Andy Chaves provide this vital connection from the classroom to the business world - whether he is lining up internships for students at the Maryland Academy where he serves on the Advisory Board, encouraging his colleagues from around the country to become more involved with Academies in their communities, or spearheading Marriott's contributions to teacher professional development and scholarships for NAF students, Andy is making a difference.

Thank you for your support of the National Academy Foundation in 2007. We are proud to count you as partners and to share with you the successes of our more than 500 career Academies in 40 states and the District of Columbia.



A handwritten signature in black ink, appearing to read 'JD Hoyer', written over a circular scribble.

JD Hoyer  
President



NATIONAL ACADEMY FOUNDATION  
is proud to recognize

**URSULA M. BURNS**  
President  
Xerox Corporation

as a 2007 Gale Distinguished Honoree

For taking on big challenges in search of major  
rewards and inviting all young people to follow  
their ambition to do the same.

December 19, 2007 New York, NY

NATIONAL  
**Academy**  
FOUNDATION

# Andrea Montero

## Academy of Finance Alumna Orlando, Florida

Andrea Montero wasn't sure about a career in business, but she always liked the fact that it involved money. So, seeing the obvious connection between the two, she enrolled in the Academy of Finance (AOF) at Timber Creek High School in Orlando, Florida. Four years later, she is not only graduating but bringing with her a scholarship package worth \$20,000 from the Citi Foundation, as well as a Florida Bright Futures scholarship. She also graduated as valedictorian of her high school class of 935 students, and will be attending the University of Florida in Gainesville.

In addition, she was a presenter at the NAF Gala Dinner in 2007 and was given the opportunity to talk about her experiences with the AOF. "The NAF Gala Dinner was the most amazing experience I've ever had," said Andrea. "Not only did I get to meet incredible people but I also got the opportunity to share with others my story and that of the person I presented to (Ursula Burns, President of Xerox). The trip was an unforgettable experience, I never expected that at such young age I would get to introduce such important people and attend such a glamorous event." It made Andrea realize that the Academy of Finance model extends well beyond Orlando and that there is a national organization helping students like her succeed.

When Andrea joined the Academy she wasn't sure what aspect of business that she really liked. So she decided to get more experience in the areas of accounting and international finance and eventually picked International Finance as the area she will be pursuing. "I like dealing with the whole world rather than concentrating in one geographic area," said Andrea. "The Academy helped me to not only find what I liked but gave me the opportunity to do an internship." The internship she was referring to was a position at Smith Barney in the summer before her senior year. "I loved it and it gave me so much experience and exposed me to a business environment. It also gave me the sense of what working in the business world is going to be like." Andrea still keeps in contact with

people from her job and believes the networking is invaluable; something she says is stressed to all students in the NAF program.

While the accounting classes gave Andrea a chance to see how "money gets to be managed" she notes the international finance classes gave her a more global view. Specifically, she enjoyed the part about commodities and hopes that will eventually lead to a position as a commodity trader. "I'd like to trade commodities for a while and then become a financial advisor," she says, and adds, "I like the idea of getting some commodity training before I get into financial planning or international finance."

Andrea recommends the NAF Academy of Finance program for just about any student because "no matter what your interests are you can always fit them into the Academy of Finance." She especially liked one aspect of the program where the teachers were constantly bringing the real world into the classroom by discussing stories in newspapers like *The New York Times* and *The Wall Street Journal* with the students.

"You're more oriented with the real world when you're in the Academy of Finance program," says Andrea.

"I definitely want to be connected to NAF, and hopefully, one day when I have a stable job I can be someone who will provide an internship for a NAF student and pass on the help that was once given to me."

"I loved it and it gave me so much experience and exposed me to a business environment. It also gave me the sense of what working in the business world is going to be like."

# Joe Kmoch

## Academy of Information Technology Advisory Board Co-Chair Milwaukee, Wisconsin



Joe Kmoch is probably not your typical advisory board member. He was a teacher for much of his life, eventually ending up as director of the Academy of Information Technology pilot school at Washington High in Milwaukee, Wisconsin. After retiring and forming an IT consulting firm in 2004 he had no idea he would eventually end up on the school's Advisory Board and then be appointed its co-chairman. But, he was always aware of the need in this country for professionals trained in information technology.

"Information technology is the base of just about anything you do these days," says Joe. "It's not so much information technology by itself, but rather it's IT in conjunction with other areas. Take for instance bio science. It's all computer stuff, same thing in chemistry and physics. Most businesses can't run without IT. One of our big pushes is to get people to start thinking about IT as part of other areas including engineering. From my point of view I almost see IT as the basis for the three other Academies (Engineering, Hospitality & Tourism, Finance). It just runs all over the place."

Joe's involvement with the National Academy Foundation began in 1999 when the school was in the midst of rewriting its five-year plan. At that time he heard that NAF was moving in the direction of starting the Academy of Information Technology so they decided to write the plan in that direction. From there he attended a NAF conference and walked away amazed at the focus and determination of the organization. "I was extremely impressed," he said "I'm not only talking about the people running the organization, but the people who were involved in different areas of the country as well." He notes that NAF really has hit on themes for Academies that are experiencing huge growth, specifically citing the hospitality and engineering areas.

In 2007, Joe became involved in an important collaborative initiative, the NAF Advisory Board

Leaders Council, a group of local advisory board members representing all four Academy themes in all of the separate geographical regions of NAF. This "grassroots" committee is charged with advising NAF on Advisory Board and curricular issues from the local advisory board level as well as supporting individual advisory boards with technical assistance and professional development. Joe's particular role will be to continue working with several other individuals on issues and tools related to communication among local advisory boards and between these advisory boards and NAF staff.

"NAF understands the importance of listening to the Network it serves. The Advisory Board Leaders Council brings the voice of the local business community directly to NAF's leadership, to help drive NAF's vision of the future, and help determine short-, and long-term goals for the organization," says Charlie Katz, Director of Advisory Board Development for NAF. "The Advisory Board Leaders Council has formed three standing committees, one for each of the three pillars of NAF's mission: Curriculum, Advisory Boards and Paid Internships. These committees will tackle the goals, issues and challenges of these critical areas, in coordination with NAF's designated leader/managers. Joe's background, expertise and experience make him an invaluable partner in that endeavor."

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# Michael Henson

**Principal, Harmony Magnet Academy  
Academy of Engineering Pilot Site  
Porterville, California**



Michael Henson is quick to point out that the school he's the principal of, Harmony Magnet Academy, is not your typical NAF Academy. Located in Porterville, California, it's situated in a rural community in the San Joaquin Valley, certainly not your typical urban environment that many NAF Academies are found in. Also, the school is being built specifically to house one of the 13 pilot schools of the Academy of Engineering and is set to open in August 2008 with a freshman class of 160 students.

Harmony Magnet Academy and the 12 other Engineering pilot sites were announced in September, 2007, in San Diego, California at QUALCOMM, Inc. headquarters at the first "Generation Now: Connecting Schools and Business to Keep America Competitive in the Global Economy" summit. This new career theme is an integral addition to NAF and was made possible through significant seed support from the Bill & Melinda Gates Foundation, the Motorola Foundation, the Verizon Foundation and Xerox. The model has been developed in partnership with Project Lead The Way (PLTW), which is providing the engineering curriculum, and the National Action Council for Minorities in Engineering (NACME), which is providing post-secondary and industry supports.

"The NAF national organization has helped significantly with the credibility of the program. In addition to the organizational model, the partnership with PLTW and NACME, the support of the corporate sponsors has energized our community and brought forth commitments from local agencies that have not been involved in our local education projects," says Michael.

"We've had to convince kids to come to a school that wasn't even built yet," says Michael. "We went out and made presentations to all the feeder schools in the area." Asked how the response has been so far Michael uses the word "tremendous" saying that the Academy

of Engineering has attracted 200 applicants for what originally had been 150 slots. That has been moved up to 160 to accommodate some of the demand.

"Our school has different graduation requirements than other schools in the area," says Michael. "We have a much more challenging curriculum than the other schools and totally different requirements than any of the four comprehensive high schools in the district. But the payoff is that when these students graduate they'll be able to take on any challenge that they care to."

One of the reasons Michael was so impressed with the Academy of Engineering structure and curriculum is what he sees as a huge demand and concurrent shortage of engineers in the future. "I just received an email this morning regarding a hiring projection for engineers over the next ten years," says Michael. "It says the total number of engineers needed in this country is going to rise 11% but they'll be an 18% increase in the need for civil engineers and a 25% increase in the need for environmental engineers. Our community is 89% Hispanic and this is going to give students an opportunity to take advantage of a field with tremendous growth potential."

In making his pitch to start a pilot Academy of Engineering, Michael pointed out that he had to convince them that his students had the same needs as inner city students and, in fact, students in his community are further removed from universities. "Their challenge of getting to college is much greater."

The response from the community to this Academy of Engineering has been tremendous. "Our advisory board has been growing since October," says Michael. "Even though we're three years away from internships we're going to need about 100 to 120 positions for our students. NAF and Project Lead The Way have provided us with a very challenging engineering curriculum and that's being matched by a challenging core curriculum. The internships will be the final piece of the puzzle."

percy l. julian

PERCY L. JULIAN  
HIGH SCHOOL  
SPRING  
FESTIVAL  
MUSIC DEPT.  
6:00PM 5/14



# Veronica Mosley-Raggs

Academy of Finance Teacher and NAF Curriculum Fellow  
Chicago, Illinois

Veronica Mosley-Raggs has successfully turned a career in banking into a career as a teacher and a coordinator for the Academy of Finance. Teaching at the AOF at Percy L. Julian High School in Chicago has been instructional for her as well. So it's not unexpected that she was selected by the National Academy Foundation to be a "curriculum fellow" to help design curriculum for AOF schools around the country, a program that was launched in 2007.

"The most important thing for me is that I like the rigor that goes into designing the NAF curriculum," says Veronica. "I especially like integrating real life experiences into the curriculum so it makes it relevant to the students. I spent 20 years in the banking industry, so I can appreciate what NAF is trying to do by relating the curriculum to actual business." The guiding force, she says, is making the curriculum adhere to both state and national standards. "Based upon those, we then have the flexibility to integrate the real world curriculum".

Part of what makes her work interesting is the chance to bounce ideas off of other curriculum fellows around the country who make up the team. "We've been able to share and collaborate even though we come from different parts of the country," says Veronica. "I really believe that NAF is dedicated to continuing to improve their curriculum on a regular basis and that's so important."

Veronica believes that NAF students may be somewhat special if only because of the experiences and opportunities that are available to them through the Academy program. "Internships, for one, are a huge motivating tool and they fit into our philosophy of making education relevant to the students."

One thing that Veronica really wants to see is some sort of integrated package that's available to teachers. "I definitely want to see a concrete lesson plan as part of a total package that instructors can walk away with," says Veronica. "They should be able to easily see what they're going to teach, the

resources they need to accomplish it, and how they're going to do it. Something that's really tangible." Through her work with other NAF teachers as a curriculum fellow, Veronica is helping to see her vision become a reality. By 2009, NAF will have created 24 new courses in a three-year period for use by its network. Each of the courses will be project-based, industry-vetted, and aligned with national educational standards, and will promote student literacy.

NAF plans to expand its new Collaboration Network, which it has developed in partnership with the Pearson Foundation. In addition to adding more Curriculum Fellows to pilot its courses, NAF is creating a cadre of NAF Curriculum Leaders. Curriculum Leaders will be drawn from those Curriculum Fellows who piloted a course. The intention of the program is to increase the capacity of the NAF network to support the implementation of the curriculum, expand the use of the NAF curriculum, activate the NAF network on a sustainable basis to maintain and upgrade the curriculum, and create a range of professional involvement and capability for NAF teachers. Among the activities of the Curriculum Leaders will be monthly conferences calls with fellow teachers, collecting suggestions for course revisions, new projects, extension activities, and curriculum integration ideas. They will also offer a workshop at the 2009 NAF Institute and respond to emails from any teachers in the NAF network who have questions about the implementation of the course.

In addition, NAF has created an enhanced Curriculum Library that captures the best instructional ideas from the NAF Network. Teachers in all of the NAF themes may offer their suggestions for inclusion in the library to share with their colleagues across the country.

# Kit Becnel

## Academy Director, Carencro High School Lafayette, Louisiana

Kit Becnel is so excited about NAF's Academy of Information Technology program at the Carencro High School in Lafayette, Louisiana that she can hardly contain herself. It's not surprising when you realize that she is the Director of one of a few exemplary NAF programs that were selected to join the pilot ASPIRE program (Academy Support for Programs In Reach of Excellence).

The idea behind the ASPIRE program is Academies can learn from each other; from visiting each other's schools, seeing projects and events that other Academies do and sharing best practices with each other on line and in conference calls. All Academies that are part of the 20-member Academy cohort are expected to work hard to further develop their Academy according to the main elements of NAF's model, including placing Academy students in internships, implementing a career-themed NAF curriculum and developing an engaged Advisory Board to create opportunities for work based learning.

"We're quite innovative and we have an excellent foundation and framework which we've developed from the National Academy Foundation guidelines," says Kit. "We have a huge community and parental involvement which helps us tremendously. One of the big keys to our success, and also why we're part of the ASPIRE program, is we've concentrated on building relationships and establishing trust between our educational program and the community and businesses in our area. We have relationships with many types of businesses and industries." These businesses include engineering, governmental, nonprofits, family foundations, higher education, radio broadcasting, computer maintenance/networking, health care, emergency room healthcare, digital media broadcasting, banking and manufacturing.

Much of the success of the Carencro's Academy of Information Technology is due to a "very eager" faculty, according to Kit, which moves the curriculum forward and gets industry leaders to come into the classroom



Kit Becnel, Co-Director of the Academy of Information Technology at Carencro High School in Lafayette, LA, (center) was honored with an Aldo Papone Award at the 2007 Institute for Staff Development. Pictured with Kit is Cynthia Dauphin from Acadiana High School in Lafayette, LA, and Joel Hilbun, Co-Director of the AOIT at Carencro High School. (photo by Doug DeMark)

and speak to students. Other Academies in the ASPIRE program see how the school has developed activities to engage the community including an event they call "The Fall Frenzy" which is a big recruitment drive that takes place once a year. It's a thematic event in which students in the Academy get to showcase their work to potential student applicants.

Schools in the ASPIRE program also get to learn about Carencro High School's "Animation Festival Awards Night" which is patterned after the Academy Awards. Students have their work judged and parents and the community are guests at the big event when the winners are announced. The entire event is produced by the students.

The Carencro High School is in its fourth year of operation and has maxed out their 75 student slot for students starting in the fall. So far they've had 100% placement of students in their internship program, something Kit is extremely proud of.

"Our supervisors, our school board and our principal and people at every level make everything run so well here," says Kit. "Any school that we come in contact with through the ASPIRE program is made to understand we consider this a key to our success."

# Andy Chaves

**Workforce Effectiveness and Diversity  
Marriott International, Inc.**



Andy Chaves believes in preparing high school students for their futures through career academies. His position overseeing Youth Strategy and Diversity at Marriott International gives him the opportunity to do just that.

"Marriott International is deeply committed to our community engagement programs and helping prepare the future leadership pool," says Andy. "The National Academy Foundation is one of the wonderful organizations that we support in a variety of ways to accomplish this mission."

Andy currently serves as president of the Career Advisory Board for the Academy of Hospitality & Tourism in Montgomery, Maryland. "The school is located right in our own backyard."

"As part of our community initiatives, we actively participate to help with readiness for hotel careers," said Andy. "By being involved with a local Academy's board I get a better understanding of the type of programs that they're running. It's extremely helpful to me as a national liaison between Marriott and NAF."

Marriott has been involved with the National Academy Foundation since the first Academy of Hospitality & Tourism was founded in Miami in 1986. "Many of the initiatives we support at headquarters grew out of programs with individual schools at the local level," says Andy. "Over the last two decades, our alliance with NAF has grown to include so many aspects of NAF's work: professional development for teachers; scholarships for graduates of the Academy of Hospitality & Tourism; participation in the industry review of NAF curriculum; and internships for students at Marriott hotels across the country. It is a great partnership."

A centerpiece of Marriott's support is their participation in NAF's conferences, including the 2007 Institute for Staff Development. "Marriott is a proud sponsor of the Honoree Banquet during NAF's professional development conference, and

it is a privilege to play such an important role in a night that celebrates NAF's exemplary Advisory Board members, Alumni and school leaders," says Andy. In addition, the conferences give Marriott the opportunity to present trends within the industry and information about their business, providing teachers and advisors real-time information that they will take back to the classroom. "Networking and talking with teachers, hearing from them about what is happening in schools, tells me first-hand that Marriott's support is working to improve education in our schools."

Andy notes that all of the NAF Academy themes are relevant to the hospitality industry. "All of our hotels need finance and accounting professionals, and we have over 1,000 IT positions in our headquarters alone. As far as the Academy of Hospitality & Tourism goes, we're always looking for talent and they just fit right in."

"Our involvement with NAF allows us to be connected with the next generation of the workforce," says Andy. "It helps us understand as a company what we need to do to attract the best of the best, and NAF students are in that category."

*"By being involved with a local Academy's board I get a better understanding of the type of programs that they're running. It's extremely helpful to me as a national liaison between Marriott and NAF."*

# Statistics

## 2007 Key NAF Statistics

Number of **internships** for 2006-2007 (summer 2007):

# 2,507

**NAF's 2007 Network** (total number of Academies)

# 264

Academy of Finance

# 111

Academy of Hospitality & Tourism

# 140

Academy of Information Technology

# 13

Academy of Engineering

Number of **advisory board companies**:

# 2,212

# 2007 Donors

## **\$1,000,000 and above**

- Citi Foundation
- The Bill & Melinda Gates Foundation
- Weill Family Foundation

## **\$500,000 to \$999,999**

- American Express Foundation
- Verizon Communications

## **\$250,000 to \$499,999**

- Motorola Foundation
- The Starr Foundation
- Xerox Corporation

## **\$100,000 to \$249,999**

- AXA Foundation, Inc.
- Booth Ferris Foundation
- Carnegie Corporation of New York
- Ernst & Young LLP
- The McGraw-Hill Companies
- Pearson Charitable Foundation
- The Judy and Fred Wilpon Family Foundation

## **\$50,000 to \$99,999**

- Michael Bronner
- The James Irvine Foundation
- The J. Willard and Alice S. Marriott Family Foundation
- United Technologies Corporation
- Verizon Foundation
- Wallace Education Fund  
Established in the New York  
Community Trust

## **\$25,000 to \$49,999**

- American Express Company
- The Bank of New York Mellon
- CDI Corporation
- The Coca-Cola Company
- Committee Encouraging Corporate Philanthropy

- Cravath, Swaine & Moore LLP
- Maura and Robert Dughi
- Holland America Line Inc.
- KPMG LLP
- Lehman Brothers Inc.
- Carol and Eugene Ludwig
- Macy's Foundation
- Marriott International, Inc.

## **\$10,000 to \$24,999**

- Alcatel-Lucent Technologies, Inc.
- Altria Group, Inc.
- Bank of America
- Bristol-Myers Squibb Company
- Clinton Family Foundation
- Dupont
- Eastman Kodak Company
- Goldman Sachs & Co.
- International Paper
- Kekst and Company Incorporated
- Jeffrey and Nancy Lane Foundation
- New York Life Insurance Company
- PepsiCo Foundation
- PricewaterhouseCoopers LLP
- Prudential Financial, Inc.
- QUALCOMM Incorporated
- James D. Robinson III
- Simpson Thacher & Bartlett LLP
- State Farm ®
- The Thomson Corporation
- T. Rowe Price

## **\$5,000 to \$9,999**

- The Dow Chemical Company Foundation
- Samuel J. Heyman
- Rochester Regional Joint Board Fund for the Future
- May and Samuel Rudin Family Foundation, Inc.
- Time Warner Cable
- Unite Here

## **\$1,000 to \$4,999**

- Jeffrey P. Beale
- Gregg Bethell
- IBM Corporation
- Rudin Management Company, Inc.
- United Federation of Teachers
- Wegmans Food Markets, Inc.

## **\$999 and below**

- Elinore Antell
- The Honorable Anne L. Armstrong
- Hytham Badr
- Anne and Russell Byers
- Richard H. Fitzgerald
- Foundation for Investor Education
- Ruby Gracy
- Institute of Management Accountants
- Peter O. Lawson-Johnston
- Meredith McMinn
- Hilary Pennington
- Francine and John Pepper
- Kate and Giacomo Picco
- Andrew Rothstein
- Robert Short
- Kearney and Daniel Staniford
- Apirada Sucontphunt
- Claudia and Nic Volpi
- Kate Walsh

## **Gifts In-Kind**

- The Andre Agassi Charitable Foundation
- Marriott International, Inc.
- The McGraw-Hill Companies
- The New York Stock Exchange
- Pearson Charitable Foundation
- QUALCOMM Incorporated

# Financial Statements

December 31, 2007 and 2006

(With Independent Auditors' Report Thereon)

# Independent Auditors' Report

*The Board of Directors*

*National Academy Foundation:*

We have audited the accompanying balance sheets of National Academy Foundation (the Foundation) as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Academy Foundation as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

**KPMG LLP**

May 1, 2008

## NATIONAL ACADEMY FOUNDATION

### Balance Sheets

#### December 31, 2007 and 2006

| Assets  | 2007          | 2006       |
|---|---------------|------------|
| Cash and cash equivalents                         | \$ 507,054    | 2,240,987  |
| Contributions and grants receivable, net (note 3) | 7,237,442     | 6,791,872  |
| Other receivables (note 9)                        | 627,184       | 284,772    |
| Prepaid expenses and other assets                 | 107,257       | 144,451    |
| Investments (note 4)                              | 10,674,482    | 9,856,155  |
| Equipment, furniture, and fixtures, net (note 5)  | 498,807       | 474,008    |
| Total assets                                      | \$ 19,652,226 | 19,792,245 |
| Liabilities and Net Assets                        | 2007          | 2006       |
| <b>Liabilities:</b>                               |               |            |
| Accounts payable and accrued expenses (note 9)    | \$ 899,075    | 1,379,427  |
| Deferred revenues                                 | 8,343         | 50,863     |
| Amounts held for others (note 6)                  | 41,701        | 46,304     |
| Total liabilities                                 | 949,119       | 1,476,594  |
| <b>Net assets:</b>                                |               |            |
| Unrestricted                                      | 6,545,613     | 4,699,256  |
| Temporarily restricted (notes 7 and 8)            | 11,627,494    | 13,086,395 |
| Permanently restricted (note 8)                   | 530,000       | 530,000    |
| Total net assets                                  | 18,703,107    | 18,315,651 |
| Total liabilities and net assets                  | \$ 19,652,226 | 19,792,245 |

See accompanying notes to financial statements.

**NATIONAL ACADEMY FOUNDATION**  
**Statements of Activities**  
**Years Ended December 31, 2007 and 2006**

|  | <b>2007</b>          | <b>2006</b>       |
|--|----------------------|-------------------|
| <b>Changes in unrestricted net assets:</b>                       |                      |                   |
| Support and revenue:   |                      |                   |
| Contributions and grants   | \$ 2,894,716         | 1,216,363         |
| Membership fees  | 746,150              | 348,850           |
| Registration fees  | 913,708              | 793,952           |
| Special event (net of direct donor benefits of \$40,050 in 2007) | 746,500              | —                 |
| Interest and dividends, net                                      | 341,214              | 297,887           |
| Net realized and unrealized gains on investments                 | 164,873              | 226,338           |
| Other income   | 50,528               | 50,580            |
| Net assets released from restrictions                            | 6,680,037            | 5,342,877         |
| Total unrestricted support and revenue                           | <u>12,537,726</u>    | <u>8,276,847</u>  |
| Expenses:  |                      |                   |
| Program services:  |                      |                   |
| Academy of Hospitality and Tourism                               | 1,551,920            | 1,464,095         |
| Academy of Finance   | 3,768,389            | 3,737,711         |
| Academy of Information Technology                                | 1,970,017            | 1,762,599         |
| Academy of Engineering   | 1,315,536            | —                 |
| Total program services   | <u>8,605,862</u>     | <u>6,964,405</u>  |
| Supporting services:   |                      |                   |
| Management and general   | 836,637              | 553,274           |
| Fund-raising   | 1,248,870            | 773,740           |
| Total supporting services  | <u>2,085,507</u>     | <u>1,327,014</u>  |
| Total expenses   | <u>10,691,369</u>    | <u>8,291,419</u>  |
| Increase (decrease) in unrestricted net assets                   | <u>1,846,357</u>     | <u>(14,572)</u>   |
| <b>Changes in temporarily restricted net assets:</b>             |                      |                   |
| Contributions  | 5,098,709            | 15,495,686        |
| Interest and dividends   | 60,132               | 65,251            |
| Net realized and unrealized gains on investments                 | 62,295               | 59,437            |
| Net assets released from restrictions                            | (6,680,037)          | (5,342,877)       |
| (Decrease) increase in temporarily restricted net assets         | <u>(1,458,901)</u>   | <u>10,277,497</u> |
| Increase in net assets   | 387,456              | 10,262,925        |
| Net assets at beginning of year                                  | <u>18,315,651</u>    | <u>8,052,726</u>  |
| Net assets at end of year  | <u>\$ 18,703,107</u> | <u>18,315,651</u> |

See accompanying notes to financial statements.

## NATIONAL ACADEMY FOUNDATION

### Statements of Cash Flows

#### Years Ended December 31, 2007 and 2006

|  | 2007               | 2006               |
|--|--------------------|--------------------|
| <b>Cash flows from operating activities:</b>   |                    |                    |
| Increase in net assets   | \$ 387,456         | 10,262,925         |
| Adjustments to reconcile increase in net assets to net cash<br>(used in) provided by operating activities: |                    |                    |
| Depreciation   | 295,520            | 273,982            |
| Net realized and unrealized gains on investments   | (227,168)          | (285,775)          |
| Contributed investments  | (249,980)          | —                  |
| Loss on disposal of fixed assets   | 432                | 239                |
| Changes in assets and liabilities:   |                    |                    |
| Increase in contributions and grants receivable  | (445,570)          | (5,377,914)        |
| (Increase) decrease in other receivables   | (342,412)          | 6,741              |
| Decrease (increase) in prepaid expenses and other assets   | 37,194             | (41,574)           |
| (Decrease) increase in accounts payable and accrued expenses   | (480,352)          | 730,571            |
| Decrease in deferred revenues  | (42,520)           | (32,533)           |
| (Decrease) increase in amounts held for others   | (4,603)            | 19,883             |
| <b>Net cash (used in) provided by operating activities</b>   | <u>(1,072,003)</u> | <u>5,556,545</u>   |
| <b>Cash flows from investing activities:</b>   |                    |                    |
| Purchase of fixed assets   | (320,751)          | (288,904)          |
| Purchase of investments  | (4,989,061)        | (10,241,878)       |
| Proceeds from sale of investments  | 4,647,882          | 4,866,544          |
| <b>Net cash used in investing activities</b>   | <u>(661,930)</u>   | <u>(5,664,238)</u> |
| <b>Net decrease in cash and cash equivalents</b>   | <u>(1,733,933)</u> | <u>(107,693)</u>   |
| Cash and cash equivalents at beginning of year   | <u>2,240,987</u>   | <u>2,348,680</u>   |
| Cash and cash equivalents at end of year   | <u>\$ 507,054</u>  | <u>2,240,987</u>   |

See accompanying notes to financial statements.

# Notes to Financial Statements

December 31, 2007 and 2006

## (1) Organization

The National Academy Foundation (the Foundation) was incorporated in July 1988 and began operations in 1989 as an educational organization. The Foundation operates as a not for profit corporation under Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from Federal income taxes.

The purpose of the Foundation is to strengthen and expand the pool of high school graduates prepared to enter the workforce. The Foundation serves 496 academies located in school districts nationwide, specializing in hospitality and tourism (Academy of Hospitality and Tourism), finance (Academy of Finance), information technology (Academy of Information Technology), and engineering (Academy of Engineering). The Foundation creates program goals and produces curriculum for national distribution to the academies and provides teacher training and on-site assistance to the academies.

## (2) Summary of Significant Accounting Policies

### *Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting. Net assets of the Foundation and changes therein are classified and reported as follows:

- *Unrestricted assets* – Net assets that are not subject to donor imposed restrictions.
- *Temporarily restricted net assets* – Net assets subject to donor imposed restrictions that will be met either by actions of the Foundation or the passage of time.
- *Permanently restricted net assets* – Net assets subject to donor imposed restrictions that stipulate that they be maintained permanently by the Foundation, but permit the Foundation to expend part or all of the income derived therefrom.

Revenues and gains and losses on investments and other assets are reported as changes in unrestricted net assets unless limited by explicit donor imposed restrictions or by law. Expiration of temporary restrictions on net assets, that is, the donor imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, is reported as net assets released from restrictions. Expenses are reported as decreases in unrestricted net assets.

### *Contributions and Grants*

Contributions and grants, including unconditional promises to give, are reported as revenues in the period received or pledged. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at a risk-free rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor imposed restrictions, if any, on the contribution. An allowance is recorded for uncollectible contributions based on management's judgment, past collection experience, and other relevant factors.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

### *Membership Fees and Registration Fees*

Membership fees consist of a one time fee for new programs within a school district and an annual fee that was imposed beginning in 2006. Registration fees consist of fees for conferences. These fees are recorded as revenue when earned. Amounts received in advance are recorded as deferred revenues.

### Cash Equivalents

Cash equivalents represent highly liquid debt instruments with original maturities of three months or less, except for those cash equivalents invested for long term purposes. Cash equivalents include a money market fund as of December 31, 2006 in the amount of \$1,387,644.

### Investments

Investments are carried at fair value based upon quoted market prices.

### Equipment, Furniture, and Fixtures

Equipment, furniture, and fixtures are capitalized at cost, when purchased. Depreciation is provided on a straight line basis over estimated useful lives ranging from three to ten years. Under the provisions of Statement of Position (SOP) 98-1 and the Emerging Issues Task Force (EITF) 00-2, the Foundation capitalizes costs associated with software developed or obtained for internal use when both the preliminary project stage is completed and the Foundation's management has authorized further funding for the project, which it deems probable will be completed and used to perform the function intended. Capitalized costs include external direct costs of materials and services consumed in developing or obtaining internal-use software. Capitalization of such costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose. The Foundation capitalized website development costs of \$194,312 and \$209,759 during the years ended December 31, 2007 and 2006, respectively.

### Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## (3) Contributions and Grants Receivable

Contributions and grants receivable consist of the following as of December 31:

|   | 2007                | 2006             |
|---|---------------------|------------------|
| Amounts expected to be collected in:                          |                     |                  |
| Less than one year  | \$ 3,376,922        | 3,265,061        |
| One to five years   | 4,182,373           | 3,913,140        |
|   | <u>7,559,295</u>    | <u>7,178,201</u> |
| Less discount to present value at rates ranging from 2% to 6% | <u>(321,853)</u>    | <u>(386,329)</u> |
|   | <u>\$ 7,237,442</u> | <u>6,791,872</u> |

Included in contributions and grants receivable as of December 31, 2007 are gross pledges of approximately \$4,525,000 from one donor. Approximately 44% of contributions and grants revenue were generated from two top donors in 2007.

#### **(4) Investments**

The fair value of investments consists of the following as of December 31:

|                             | <b>2007</b>          | <b>2006</b>      |
|-----------------------------|----------------------|------------------|
| Money market funds          | \$ 2,152,801         | 2,452,773        |
| Common stocks               | 1,843,065            | 1,290,023        |
| U.S. government obligations | 1,479,508            | 992,825          |
| Asset backed securities     | 1,906,461            | 1,122,795        |
| Corporate bonds             | 1,506,199            | 833,780          |
| Mutual funds                | 1,786,448            | 3,163,959        |
|                             | <u>\$ 10,674,482</u> | <u>9,856,155</u> |

#### **(5) Equipment, Furniture, and Fixtures**

Equipment, furniture, and fixtures consist of the following as of December 31:

|                               | <b>2007</b>       | <b>2006</b>      |
|-------------------------------|-------------------|------------------|
| Office equipment              | \$ 416,384        | 340,927          |
| Furniture and fixtures        | 101,593           | 94,465           |
| Leased equipment              | 82,560            | 82,560           |
| Software development costs    | 871,020           | 676,708          |
|                               | <u>1,471,557</u>  | <u>1,194,660</u> |
| Less accumulated depreciation | <u>(972,750)</u>  | <u>(720,652)</u> |
|                               | <u>\$ 498,807</u> | <u>474,008</u>   |

#### **(6) Amounts Held for Others**

Amounts held for others consist of funds held by the Foundation for several academies that are available to pay for related activities.

**(7) Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes and time restrictions as of December 31:

|   | <b>2007</b>          | <b>2006</b>       |
|---|----------------------|-------------------|
| Student scholarship and teacher awards: |                      |                   |
| Aldo Papone Endowment                   | \$ 277,211           | 246,261           |
| Jesse Blackman Endowment                | 12,792               | 13,349            |
| New Orleans initiative                  | 226,971              | —                 |
| Research                                | 250,000              | —                 |
| Small schools initiative                | 882,750              | —                 |
| California expansion                    | 129,446              | —                 |
| Academy of Engineering                  | 4,705,928            | 3,594,621         |
| Capacity building                       | 3,988,911            | 7,209,865         |
| Other time and purpose restrictions     | 1,153,485            | 2,022,299         |
| <b>Total</b>                            | <b>\$ 11,627,494</b> | <b>13,086,395</b> |

**(8) Permanently Restricted Net Assets**

Permanently restricted net assets as of December 31 comprised the endowments presented below and consist of investments held in perpetuity. Income from these endowments is expendable to support student scholarship and teachers' awards.

|                          | <b>2007</b>       | <b>2006</b>    |
|--------------------------|-------------------|----------------|
| Aldo Papone Endowment    | \$ 500,000        | 500,000        |
| Jesse Blackman Endowment | 30,000            | 30,000         |
| <b>Total</b>             | <b>\$ 530,000</b> | <b>530,000</b> |

The Aldo Papone Endowment was established by the American Express Company in 1991 to provide funds for grant awards to outstanding U.S. and international academy programs. On an annual basis, a maximum of 7% of the Aldo Papone Endowment's assets is available for disbursement. The Jesse Blackman Endowment was established in 1994 with a contribution from the American Express Company. The purpose of the Jesse Blackman Endowment is to provide funds for a scholarship to an outstanding student in the Travel and Tourism program. Presently, the annual scholarship limit is \$1,500.

**(9) Pension Plans**

The Foundation has a defined contribution pension plan covering all eligible employees. The plan qualifies as a 401(k) pension plan under the Code. The Foundation funds the plan on a monthly basis and contributes up to 11% of employees' compensation up to the Social Security wage base. Effective January 1, 2001, for employees who become participants after January 1, 2001, the Foundation will contribute 5% in years one

and two, 8% in years three and four, and 11% in year five and thereafter. Compensation paid above the Social Security wage base ceiling is funded by an additional 2%. The Foundation also has a 403(b) thrift plan under the Code. Employees are permitted to make voluntary contributions to the plan, and the Foundation matches the employees' contribution at the rate of 50% up to 6% of the employees' compensation. The expense under these plans for the years ended December 31, 2007 and 2006 was \$261,999 and \$209,162, respectively.

During 2007, the Foundation adopted a 457 Deferred Compensation Plan (the 457 Plan) for a senior member of management. The 457 Plan is a nonqualified deferred compensation plan subject to the provisions of the Internal Revenue Code Section 457. Expenses under this plan were \$16,019 for the year ended December 31, 2007. The assets and liabilities of this plan amounted to \$13,396 and are included in other receivables and accounts payable in the accompanying balance sheets.

### **(10) Lease Commitments**

The Foundation has a ten year noncancelable operating lease for office space expiring June 30, 2009. At December 31, 2007, future minimum lease payments are as follows:

|                          | <b>Amount</b> |
|--------------------------|---------------|
| Year ending December 31: |               |
| 2008                     | \$ 345,115    |
| 2009                     | 176,430       |
|                          | \$ 521,545    |

Rent expense for the years ended December 31, 2007 and 2006 was \$383,341 and \$365,968, respectively.



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