



**THE
CONSORTIUM**

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements.....	6

Independent Auditor's Report

Board of Trustees
The Consortium for Graduate Study in Management
St. Louis, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of The Consortium for Graduate Study in Management ("The Consortium"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to The Consortium's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Consortium's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Consortium for Graduate Study in Management as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Brown Smith Wallace, LLP

St. Louis, Missouri

October 20, 2016

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Statements of Financial Position

June 30, 2016 and 2015

	2016	2015
ASSETS		
Current Assets		
Cash	\$ 1,863,397	\$ 2,056,019
Certificates of deposits	1,000,000	-
Corporate sponsorship receivables	512,500	462,000
Accounts receivable	3,120	3,358
Orientation Program receivables	416,250	367,200
Prepaid expenses and other	59,716	57,367
Total Current Assets	3,854,983	2,945,944
Property and Equipment		
Land	223,896	223,896
Building	1,094,827	1,094,827
Furniture and fixtures	663,656	656,772
Less: accumulated depreciation	720,895	667,547
Total Property and Equipment, net	1,261,484	1,307,948
Investments		
Investments	918,593	740,859
Total Investments	918,593	740,859
TOTAL ASSETS	\$ 6,035,060	\$ 4,994,751
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 704,041	\$ 351,644
Accrued expenses	482,423	390,611
Current portion of mortgage note payable	47,200	47,200
Deferred revenue	113,325	75,500
Other	50,000	-
Total Current Liabilities	1,396,989	864,955
Long Term Mortgage Note Payable	731,600	778,800
Net Assets		
Unrestricted	3,166,621	2,747,309
Temporarily Restricted	118,980	114,747
Permanently Restricted	620,870	488,940
Total Net Assets	3,906,471	3,350,996
TOTAL LIABILITIES AND NET ASSETS	\$ 6,035,060	\$ 4,994,751

The accompanying notes are an integral part of these financial statements.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Statements of Activities

Years ended June 30, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Corporation and foundation sponsorships	\$ 1,955,500	\$ -	\$ -	\$ 1,955,500	\$ 1,893,500	\$ 10,000	\$ -	\$ 1,903,500
Alumni and corporate matching	154,136	-	-	154,136	157,733	-	-	157,733
Special Orientation Program gifts	1,465,200	-	-	1,465,200	1,131,150	-	-	1,131,150
Tuition remissions by participating members	30,504,330	-	-	30,504,330	27,931,814	-	-	27,931,814
Endowment Gifts	-	-	131,930	131,930	-	-	27,400	27,400
Investment income, net	-	22,233	-	22,233	-	8,725	-	8,725
Orientation Program registration fees	452,440	-	-	452,440	458,055	-	-	458,055
Application fees	237,115	-	-	237,115	224,370	-	-	224,370
Miscellaneous revenue	112,981	-	-	112,981	91,863	-	-	91,863
Net assets released from restrictions	18,000	(18,000)	-	-	28,000	(28,000)	-	-
TOTAL SUPPORT AND REVENUE	34,899,702	4,233	131,930	35,035,865	31,916,485	(9,275)	27,400	31,934,610
EXPENSES								
Program services:								
Student costs	30,522,330	-	-	30,522,330	27,959,814	-	-	27,959,814
Student recruiting	639,120	-	-	639,120	541,315	-	-	541,315
Alumni relations	291,404	-	-	291,404	267,792	-	-	267,792
Orientation Program	1,653,193	-	-	1,653,193	1,273,622	-	-	1,273,622
Total program services	33,106,047	-	-	33,106,047	30,042,543	-	-	30,042,543
Supporting services:								
Fundraising	490,725	-	-	490,725	510,760	-	-	510,760
Management and general	883,618	-	-	883,618	750,732	-	-	750,732
Total supporting services	1,374,343	-	-	1,374,343	1,261,492	-	-	1,261,492
TOTAL EXPENSES	34,480,390	-	-	34,480,390	31,304,035	-	-	31,304,035
CHANGE IN NET ASSETS	419,312	4,233	131,930	555,475	612,450	(9,275)	27,400	630,575
Net assets, beginning of year	2,747,309	114,747	488,940	3,350,996	2,134,859	124,022	461,540	2,720,421
Net assets, end of year	\$ 3,166,621	\$ 118,980	\$ 620,870	\$ 3,906,471	\$ 2,747,309	\$ 114,747	\$ 488,940	\$ 3,350,996

The accompanying notes are an integral part of these financial statements.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Statements of Cash Flows

Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 555,475	\$ 630,575
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Gifts restricted for permanent endowment	(131,930)	(27,400)
Depreciation	53,348	61,320
Bad Debt	-	48,250
Net realized and unrealized gains and losses on investments	(542)	11,130
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Corporate sponsorship receivables	(50,500)	20,500
Accounts receivable	238	38,774
Orientation Program receivables	(49,050)	39,900
Prepaid expenses and other	(2,349)	(858)
Increase (decrease) in liabilities:		
Accounts payable	352,397	(413,944)
Accrued expenses	91,812	34,841
Deferred revenue	37,825	(14,500)
Other	50,000	-
Net cash provided by (used in) operating activities	906,724	428,588
Cash flows from investing activities:		
Certificates of deposits	(1,000,000)	-
Proceeds from sale of investments	18,000	27,000
Purchases of investments	(195,192)	(92,925)
Purchases of property and equipment	(6,884)	(19,711)
Net cash used in investing activities	(1,184,076)	(85,636)
Cash flows from financing activities:		
Cash received from permanent endowment	131,930	27,400
Payments on mortgage note payable	(47,200)	(47,200)
Net cash provided by (used in) financing activities	84,730	(19,800)
NET INCREASE (DECREASE) IN CASH	(192,622)	323,152
Cash, beginning of year	2,056,019	1,732,867
Cash, end of year	\$ 1,863,397	\$ 2,056,019

The accompanying notes are an integral part of these financial statements.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements

June 30, 2016

Note A - Operations and Summary of Significant Accounting Policies

Operations

The mission of The Consortium for Graduate Study in Management (“The Consortium”), an alliance of leading American business schools and some of our country’s top corporations, is to enhance diversity in business education and leadership by helping to reduce the serious underrepresentation of African Americans, Hispanic Americans and Native Americans in both our member schools’ enrollments and the ranks of management. We believe this mission can be achieved by recruiting for graduate business education qualified U.S. citizens and U.S. permanent residents who can demonstrate a commitment to The Consortium’s mission and can best assist The Consortium in pursuing this mission.

Since its inception in 1966, The Consortium, working through its member schools, has secured \$359 million to advance its mission of promoting diversity and inclusion in American business. Annually about 800 students are awarded full tuition fellowships and other gift aid. The schools are:

University of California, Berkeley Haas School of Business	Indiana University – Bloomington Kelley School of Business	The University of Texas at Austin McCombs School of Business
University of California, Los Angeles UCLA Anderson School of Management	University of Michigan – Ann Arbor Stephen M. Ross School of Business	University of Virginia Darden School of Business Washington University in St. Louis Olin Business School
Carnegie Mellon University Tepper School of Business	New York University Leonard N. Stern School of Business	University of Wisconsin – Madison Wisconsin School of Business
Cornell University Johnson School of Business	University of North Carolina at Chapel Hill Kenan-Flagler Business School	Yale University Yale School of Management
Dartmouth College Tuck School of Business	University of Rochester Simon Graduate School of Business	
Emory University Goizueta Business School	University of Southern California Marshall School of Business	
Georgetown University McDonough School of Business		

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2016

Note A - Operations and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Presentation

The financial statements of The Consortium have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Additionally, the financial statement presentation follows the requirements of *Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205-05*, which requires The Consortium to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets

These funds represent net assets that are not subject to donor-imposed stipulations.

Under the provision of FASB ASC 958-205-05, net assets, support and revenue, expenses and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of The Consortium and changes therein are classified and reported as follows:

- Support and revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions.
- Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. As permitted by FASB ASC 958-205-05, donor-restricted gifts which are received and either spent or deemed spent in the same year are reported as unrestricted support.
- Gifts specified for the acquisition of long-lived assets are reported as unrestricted net assets when the assets are placed in service.

Temporarily Restricted Net Assets

These funds represent net assets subject to donor-imposed stipulations that may or will be met either by actions of The Consortium and/or passage of time.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2016

Note A - Operations and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Presentation (Continued)

Permanently Restricted Net Assets

These funds represent net assets subject to donor-imposed stipulations that will be maintained permanently by The Consortium, such as The Leslie Elise Adkins Endowed Scholarship Fund and the Wallace L. Jones Fellowship Fund. Generally, the donors of these assets permit The Consortium to use all of the investment returns on these assets for scholarships.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 net public support and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Concentrations of Credit Risk

For purposes of the statement of cash flows, The Consortium considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, including currency, demand deposits, and liquid investments. At times during the years ended June 30, 2016 and 2015, balances on deposit exceeded Federal Deposit Insurance Corporation (FDIC) insured limits.

Accounts Receivable

The Consortium records bad debts using the direct write-off method, which is not materially different from the allowance method. Delinquent receivables are written off based upon review of outstanding receivables and historical collection information.

Investment Risks

The Consortium invests in investment securities with Fidelity and Vanguard, which are exposed to various risks such as interest rate, credit, and overall market volatility. Therefore, it is reasonably possible that changes in the value will occur in the near term and such changes could affect The Consortium's financial position.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2016

Note A - Operations and Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost, if purchased, or at fair market value at the date of gift, if donated, less accumulated depreciation. Expenditures over \$1,000, which extend the useful lives of the assets are capitalized, while maintenance and repairs are expensed.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally ten to thirty-nine years for land improvements and buildings, and three to seven years for furniture, fixtures, software and equipment.

Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss included in the current operations.

The building and land are held as collateral on the mortgage note payable.

Impairment of Long Lived Assets

The Consortium evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long lived assets may warrant revision or that the remaining balance of an asset may not be recoverable. The measurement of possible impairment is based on the ability to recover the balance of assets from expected future operating cash flows on an undiscounted basis. In the opinion of management, no such impairment existed for the years ended June 30, 2016 and 2015.

Deferred Revenue

Deferred revenues consist of Annual Fund partnerships and Orientation Program underwriting that will take place in the next fiscal year. The revenue is recognized in the year in which the event occurs.

Functional Expense Allocations

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2016

Note A - Operations and Summary of Significant Accounting Policies (Continued)

Contributions and Receivables

FASB ASC 958-605-25 requires unconditional promises (pledges) be recorded as receivables and support of the appropriate net asset category in the year the pledge is made. The Consortium had no unconditional promises at June 30, 2016 and 2015.

Contributions, such as corporate and foundation gifts, are recorded as made and are available for unrestricted use unless specifically restricted by the donor.

Other contributions, such as alumni, staff, or other individual gifts considered to be intentions to give, are recorded when received. Contributions and promises to give that are conditional are not recognized in the financial statements until the conditions on which they depend are substantially met.

Tuition Remissions

Tuition remissions by participating member universities and related alumni organizations' contributions are recorded as revenue in tuition remissions by participating members and are included as an expense in student costs.

Income Taxes

The Consortium constitutes a qualified not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes.

The Consortium has addressed the provisions of FASB ASC 740, *Accounting for Income Taxes*. In that regard, The Consortium has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings and believes that no provision for income taxes is necessary, at this time, to cover any uncertain tax positions.

Advertising and Marketing

The Consortium follows the policy of charging the costs of advertising and marketing to expense as incurred. Advertising and Marketing expense was \$16,964 and \$7,853 for the years ended June 30, 2016 and 2015, respectively.

Subsequent Events

The Consortium evaluated all subsequent events through October 20, 2016, the date the financial statements were available to be issued.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2016

Note B - Investments and Fair Value Measurements

The Consortium follows FASB ASC 820-10 Fair Value Measurements and Disclosures. FASB ASC 820-10 establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

FASB ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820-10 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1

Observable inputs that are derived from quoted prices (unadjusted) for identical assets or liabilities in an active market that The Consortium has the ability to access.

Level 2

Observable inputs based on quoted prices in non-active markets or in active markets for similar assets or liabilities. Inputs other than quoted prices that are observable, or inputs that are not directly observable, but are corroborated by observable market data.

Level 3

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying combined statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at the net assets value (NAV) of shares held at year end.

Management determines the fair value measurement valuation policies and procedures, which are subject to Board of Trustees assessment and approval. At least annually, Management determines if the current valuation techniques used in fair value measurements are still appropriate.

The Consortium recognizes transfers, if any between levels in the fair value hierarchy at the end of the reporting period.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2016

Note B - Investments and Fair Value Measurements (Continued)

Fair values of assets measured on a recurring basis are as follows:

	<u>Fair Value</u>	<u>Fair Value Measurements Using:</u>		
		<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
<u>June 30, 2016</u>				
Mutual funds	\$ 578,022	\$ 578,022	\$ -	\$ -
Stocks	194,959	194,959	-	-
Cash equivalents	<u>145,612</u>	<u>145,612</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 918,593</u>	<u>\$ 918,593</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Fair Value</u>	<u>Fair Value Measurements Using:</u>		
		<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
<u>June 30, 2015</u>				
Mutual funds	\$ 566,171	\$ 566,171	\$ -	\$ -
Stocks	141,573	141,573	-	-
Cash equivalents	<u>33,115</u>	<u>33,115</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 740,859</u>	<u>\$ 740,859</u>	<u>\$ -</u>	<u>\$ -</u>

During the year, there were no changes in the methods and/or assumptions utilized to derive the fair value of The Consortium's assets.

Investment income consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Interest income	\$ 21,691	\$ 19,855
Realized gains	5,832	2,762
Unrealized gains and losses	<u>(5,290)</u>	<u>(13,892)</u>
	<u>\$ 22,233</u>	<u>\$ 8,725</u>

The investment income described above is included in the endowment fund.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2016

Note C - Mortgage Note Payable

The mortgage note payable is due to a financial institution and is collateralized by the Consortium's land and building. The note bears interest at a variable rate equal to the BBA LIBOR Daily Floating Rate plus 2.75% (3.21% and 2.93% at June 30, 2016 and 2015, respectively). The principal is payable in equal monthly installments of \$3,933 with the remaining principal balance plus any interest due on December 13, 2022.

Maturities of the long term mortgage note payable for the next five years are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2017	\$ 47,200
2018	47,200
2019	47,200
2020	47,200
2021	47,200
Thereafter	<u>542,800</u>
	<u>\$ 778,800</u>

Interest paid was \$25,018 and \$25,173 for the years ended June 30, 2016 and 2015, respectively.

Note D - In-Kind Donations

The Consortium received various in-kind donations of goods and services including tuition remissions from member schools, corporations and individuals to be used in various programs, during the years ended June 30, 2016 and 2015. These amounts have been reflected in The Consortium's applicable contribution and expense categories. These contributions amounted to \$30,595,545 and \$27,991,814 as of June 30, 2016 and 2015, respectively.

Note E - Bad Debts

Bad debt expense was \$0 and \$48,250 for the years ended June 30, 2016 and 2015, respectively.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2016

Note F - Commitments

Fellowships

Each year, The Consortium awards two-year fellowships for graduate study in management to students who demonstrate commitment to diversity as described in Note A. These awards represent a commitment to pay tuition and required fees for students' two-year graduate business studies. The awards are contingent upon the students continued enrollment and progress in their graduate program. In conjunction with the awarding of fellowships, the member universities commit to funding for certain fellowship awards through the remission of tuition and fees of the member students.

A summary for fiscal year 2016 of the award commitments and committee member university funding is as follows:

Fellowship awards	\$30,522,330
Less: tuition remissions by member universities	<u>30,504,330</u>
Commitment by The Consortium	<u>\$ 18,000</u>

Conferences

The Consortium has entered into contracts with hotels for future planned conferences in 2017 and 2018. These contracts contain penalty clauses for cancellation which could be material depending upon the date of cancellation. The penalties are based upon rooms reserved, anticipated hotel revenues and other damages. The potential liability for such damages, if incurred, cannot presently be determined. At June 30, 2016, The Consortium does not intend to cancel these commitments.

Note G - Employee Benefits

The Consortium employees can elect to participate in its defined contribution retirement plan. The plan allows for matching after one year of service. A portion of the match for highly compensated employees are moved to separate 457 plans. During the fiscal years ending June 30, 2016 and 2015, The Consortium contributed \$137,081 and \$119,083, respectively, to both the 403(b) and 457 Plans.

The Consortium offers a dependent tuition benefit. Full-time employees hired prior to August 1, 2014 are eligible to receive tuition assistance for their dependent children. The liability of \$131,566 and \$131,477, respectively, is classified as accrued expense on the statements of financial position for June 30, 2016 and 2015.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2016

Note H - Undergraduate Program

Beginning in 2014, The Consortium began exploring the viability of a program designed to help underrepresented minority undergraduates succeed in college and expand their post graduate horizons, be it in the work force or graduate school. Cash and commitments received to date have been recognized as other current liabilities pending a decision to roll out the program.

Note I - Temporarily Restricted Net Assets

At June 30, 2016 and 2015, temporarily restricted net assets were restricted for the following:

	<u>2016</u>	<u>2015</u>
Endowment earnings	\$ 108,980	\$ 104,747
Program restrictions	<u>10,000</u>	<u>10,000</u>
	<u>\$ 118,980</u>	<u>\$ 114,747</u>
Net assets released:	<u>2016</u>	<u>2015</u>
Endowment earnings	<u>\$ 18,000</u>	<u>\$ 28,000</u>

Note J - Endowment Funds

The Consortium established and maintains a fund that functions like an endowment, which was established to honor a former Executive Director, Wallace L. Jones. Due to the nature of the solicitation for contributions to this fund, contributions received are restricted in perpetuity. Income generated by these assets is used for stipends to The Consortium students.

On June 5, 2016, the family of Leslie Adkins, a Consortium student who passed away while completing her degree, established an endowed fund in her honor to provide financial assistance to candidates embodying Ms. Adkins commitment to scholarship, volunteerism and service to humanity. Over the course of five years the Adkins family has agreed to contribute a minimum of \$1 million. As of June 30, 2016, \$100,000 has been received. Consistent with the long standing policy stated in Note A, The Consortium is electing to treat the outstanding balance as an intention to give and revenue will be recorded when received.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2016

Note J - Endowment Funds (Continued)

Consortium has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), adopted into Missouri law in 2009, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Consortium classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Consortium in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Consortium considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of Consortium, and (7) Consortium’s investment policies.

In the absence of donor restrictions, under the terms of Consortium’s governing documents, the Board of Trustees has the ability to distribute so much of the original principal of any trust or separate gift, bequest, or fund as the Board of Trustees in its sole discretion shall determine. As a result of the ability to distribute the original principal, all contributions not classified as temporarily or permanently restricted are classified as unrestricted net assets for financial statements purposes. At June 30, 2016 and 2015, Consortium had no unrestricted endowment funds.

Consortium has investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. The investment policy establishes an achievable return objective through diversification of asset classes. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, Consortium relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places emphasis on fixed income securities and equity-based investments to achieve its long-term return objectives within prudent risk parameters.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2016

Note J - Endowment Funds (Continued)

Consortium has a policy of appropriating for distribution an approved percentage of its endowment fund earnings not to exceed 5%.

The endowment policy follows the requirements of the State of Missouri's Uniform Prudent Management of Institutional Funds Act.

<u>June 30, 2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Endowment Net Assets, Beginning of Year	\$ -	\$ 104,747	\$ 488,940	\$ 593,687
Gifts Added to Principal	-	-	131,930	131,930
Investment Income	-	22,233	-	22,233
Scholarships Awarded	<u>-</u>	<u>(18,000)</u>	<u>-</u>	<u>(18,000)</u>
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 108,980</u>	<u>\$ 620,870</u>	<u>\$ 729,850</u>
Board Designated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Donor Designated	<u>\$ -</u>	<u>\$ 108,980</u>	<u>\$ 620,870</u>	<u>\$ 729,850</u>
<u>June 30, 2015</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Endowment Net Assets, Beginning of Year	\$ -	\$ 124,022	\$ 461,540	\$ 585,562
Gifts Added to Principal	-	-	27,400	27,400
Investment Income	-	8,725	-	8,725
Scholarships Awarded	<u>-</u>	<u>(28,000)</u>	<u>-</u>	<u>(28,000)</u>
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 104,747</u>	<u>\$ 488,940</u>	<u>\$ 593,687</u>
Board Designated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Donor Designated	<u>\$ -</u>	<u>\$ 104,747</u>	<u>\$ 488,940</u>	<u>\$ 593,687</u>