



**THE
CONSORTIUM**

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2018

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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, 2018 and 2017, 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, 2018 and 2017, 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

January 17, 2019

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Statements of Financial Position

June 30, 2018 and 2017

	2018	2017
ASSETS		
Current Assets		
Cash	\$ 1,376,227	\$ 1,873,786
Certificates of deposits	1,000,000	1,000,000
Corporate sponsorship receivables	874,000	569,500
Accounts receivable	2,239	14,281
Orientation Program receivables	548,500	298,250
Prepaid expenses and other	53,092	51,745
Total Current Assets	3,854,058	3,807,562
Property and Equipment		
Land	223,896	223,896
Building	1,094,827	1,094,827
Furniture and fixtures	699,071	695,253
Less: accumulated depreciation	817,486	769,296
Total Property and Equipment, net	1,200,308	1,244,680
Investments		
Investments, at fair value	1,550,495	1,178,327
Total Investments	1,550,495	1,178,327
TOTAL ASSETS	\$ 6,604,861	\$ 6,230,569
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 183,345	\$ 704,375
Accrued expenses	759,194	481,175
Current portion of mortgage note payable	47,200	47,200
Deferred revenue	171,500	58,150
Other	85,000	55,000
Total Current Liabilities	1,246,239	1,345,900
Long Term Mortgage Note Payable	637,200	684,400
Net Assets		
Unrestricted	3,464,210	3,269,617
Temporarily Restricted	252,581	188,431
Permanently Restricted	1,004,631	742,221
Total Net Assets	4,721,422	4,200,269
TOTAL LIABILITIES AND NET ASSETS	\$ 6,604,861	\$ 6,230,569

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, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Corporation and foundation sponsorships	\$ 2,151,500	\$ -	\$ -	\$ 2,151,500	\$ 2,037,000	\$ -	\$ -	\$ 2,037,000
Alumni and corporate matching	188,763	-	-	188,763	205,096	-	-	205,096
Special Orientation Program gifts	991,000	-	-	991,000	1,062,000	-	-	1,062,000
Tuition remissions by participating members	35,055,183	-	-	35,055,183	32,897,348	-	-	32,897,348
Endowment gifts	-	-	262,410	262,410	-	-	121,351	121,351
Investment income, net	8,342	87,150	-	95,492	6,585	87,451	-	94,036
Orientation Program registration fees	447,752	-	-	447,752	361,025	-	-	361,025
Application fees	248,000	-	-	248,000	249,410	-	-	249,410
Miscellaneous revenue	62,965	-	-	62,965	135,967	-	-	135,967
Net assets released from restrictions	23,000	(23,000)	-	-	18,000	(18,000)	-	-
TOTAL SUPPORT AND REVENUE	39,176,505	64,150	262,410	39,503,065	36,972,431	69,451	121,351	37,163,233
EXPENSES								
Program services:								
Student costs	35,078,183	-	-	35,078,183	32,915,348	-	-	32,915,348
Student recruiting	599,284	-	-	599,284	650,176	-	-	650,176
Alumni relations	365,356	-	-	365,356	385,803	-	-	385,803
Orientation Program	1,470,967	-	-	1,470,967	1,572,116	-	-	1,572,116
Total program services	37,513,790	-	-	37,513,790	35,523,443	-	-	35,523,443
Supporting services:								
Fundraising	543,663	-	-	543,663	488,405	-	-	488,405
Management and general	924,459	-	-	924,459	857,587	-	-	857,587
Total supporting services	1,468,122	-	-	1,468,122	1,345,992	-	-	1,345,992
TOTAL EXPENSES	38,981,912	-	-	38,981,912	36,869,435	-	-	36,869,435
CHANGE IN NET ASSETS	194,593	64,150	262,410	521,153	102,996	69,451	121,351	293,798
Net assets, beginning of year	3,269,617	188,431	742,221	4,200,269	3,166,621	118,980	620,870	3,906,471
Net assets, end of year	\$ 3,464,210	\$ 252,581	\$ 1,004,631	\$ 4,721,422	\$ 3,269,617	\$ 188,431	\$ 742,221	\$ 4,200,269

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, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 521,153	\$ 293,798
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	48,190	49,275
Bad debt	4,487	10,000
Net realized and unrealized gains and losses on investments	(56,905)	(62,138)
Loss on disposal of equipment	-	1,223
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Gifts restricted for permanent endowment	(262,410)	(121,351)
Corporate sponsorship receivables	(304,500)	(57,000)
Accounts receivable	12,042	(11,161)
Orientation Program receivables	(254,737)	108,000
Prepaid expenses and other	(1,347)	7,971
Increase (decrease) in liabilities:		
Accounts payable	(521,030)	334
Accrued expenses	278,019	(1,248)
Deferred revenue	113,350	(55,175)
Other	30,000	5,000
Net cash provided by (used in) operating activities	(393,688)	167,528
Cash flows from investing activities:		
Proceeds from sale of investments	26,582	18,000
Purchases of investments	(341,845)	(215,596)
Purchases of property and equipment	(3,818)	(33,694)
Net cash used in investing activities	(319,081)	(231,290)
Cash flows from financing activities:		
Cash received from permanent endowment	262,410	121,351
Payments on mortgage note payable	(47,200)	(47,200)
Net cash provided by financing activities	215,210	74,151
NET INCREASE (DECREASE) IN CASH	(497,559)	10,389
Cash, beginning of year	1,873,786	1,863,397
Cash, end of year	\$ 1,376,227	\$ 1,873,786

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

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements

June 30, 2018

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 and inclusion in global business education and leadership by striving to reduce the significant underrepresentation of African Americans, Hispanic Americans and Native Americans in both our Member Schools’ enrollments and the ranks of global management across the following sectors:

- For profit corporations
- Non-profit corporations
- Government agencies and contractors, and
- Entrepreneurial ventures in both for profit and non-profit environments.

We believe this mission can be achieved by recruiting for graduate business education qualified U.S. citizens and U.S. permanent residents who demonstrate a commitment to the Consortium’s mission and who can best assist the Consortium in pursuing this mission.

Since its inception in 1966, The Consortium, working through its member schools, has secured \$426 million to advance its mission of promoting diversity and inclusion in American business. Annually over 900 students are awarded full tuition fellowships and other gift aid.

The schools are:

University of California, Berkeley
Haas Business School

University of California, Los Angeles
UCLA Anderson School of Management

Carnegie Mellon University
Tepper School of Business

Cornell University
*Samuel Curtis Johnson
Graduate School of Management*

Dartmouth College
Tuck School of Business

Emory University
Goizueta Business School

University of Rochester
Simon Business School

Georgetown University
McDonough School of Business

Indiana University – Bloomington
Kelley School of Business

University of Michigan – Ann Arbor
Michigan Ross School of Business

New York University
Leonard N. Stern School of Business

University of North Carolina at Chapel Hill
Kenan-Flagler Business School

Rice University
Jones Graduate School of Business

Washington University in St. Louis
Olin Business School

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2018

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

Operations (Continued)

University of Southern California
Marshall School of Business

University of Wisconsin – Madison
Wisconsin School of Business

The University of Texas at Austin
McCombs School of Business

Yale University
Yale School of Management

University of Virginia
Darden School of Business

Subsequent to June 30, 2018, the Organization added a new member school: University of Washington – Seattle (Michael G. Foster School of Business).

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.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2018

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

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.

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, 2018 and 2017, 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, 2018

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, 2018 and 2017.

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, 2018

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, 2018 and 2017.

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 \$12,568 and \$14,954 for the years ended June 30, 2018 and 2017, respectively.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2018

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

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation.

Subsequent Events

The Consortium evaluated all subsequent events through January 17, 2019, the date the financial statements were available to be issued.

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.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2018

Note B - Investments and Fair Value Measurements (Continued)

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 daily closing price as reported by the funds. Mutual funds held by the Organization are open end mutual funds that are registered with the Securities Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

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.

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

<u>June 30, 2018</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 1,163,338	\$ 1,163,338	\$ -	\$ -
Stocks	<u>218,723</u>	<u>218,723</u>	<u>-</u>	<u>-</u>
Total leveled investments	<u>1,382,061</u>	<u>1,382,061</u>	<u>-</u>	<u>-</u>
Cash equivalents	<u>168,434</u>			
Total	<u>\$ 1,550,495</u>			
<u>June 30, 2017</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 908,917	\$ 908,917	\$ -	\$ -
Stocks	<u>245,963</u>	<u>245,963</u>	<u>-</u>	<u>-</u>
Total leveled investments	<u>1,154,880</u>	<u>1,154,880</u>	<u>-</u>	<u>-</u>
Cash equivalents	<u>23,447</u>			
Total	<u>\$ 1,178,327</u>			

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2018

Note B - Investments and Fair Value Measurements (Continued)

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>2018</u>	<u>2017</u>
Interest and dividends	\$ 38,587	\$ 31,898
Realized gains	11,663	2,309
Unrealized gains and losses	<u>45,242</u>	<u>59,829</u>
	<u>\$ 95,492</u>	<u>\$ 94,036</u>

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

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 at a fixed interest rate of 3.95% as of June 30, 2018 and 2017. 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>
2019	\$ 47,200
2020	47,200
2021	47,200
2022	47,200
2023	<u>495,600</u>
	<u>\$ 684,400</u>

Interest paid was \$28,279 and \$28,326 for the years ended June 30, 2018 and 2017, respectively.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2018

Note D - In-Kind Donations

The Consortium received various in-kind donations of goods and services from corporations and individuals to be used in various programs as well as tuition remissions from member schools, during the years ended June 30, 2018 and 2017. These amounts have been reflected in The Consortium's applicable contribution and expense categories. These contributions amounted to \$35,111,679 and \$33,013,704 as of June 30, 2018 and 2017, respectively.

Note E - Bad Debts

Bad debt expense was \$4,487 and \$10,000 for the years ended June 30, 2018 and 2017, respectively.

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 2018 of the award commitments and committee member university funding is as follows:

Fellowship awards	\$ 35,078,183
Less: tuition remissions by member universities	<u>35,055,183</u>
Commitment by The Consortium	\$ <u>23,000</u>

Conferences

The Consortium has entered into contracts with hotels for future planned conferences in 2019 and 2020. 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, 2018, The Consortium does not intend to cancel these commitments.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2018

Note G - Employee Benefits

The Consortium employees can elect to participate in its defined contribution 403(b) 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 Section 457 deferred compensation plans. During the fiscal years ending June 30, 2018 and 2017, The Consortium contributed \$177,327 and \$146,715, 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 \$59,592 and \$84,982, respectively, is classified as accrued expense on the statements of financial position for June 30, 2018 and 2017.

Note H - Undergraduate Program

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. Subsequent to June 30, 2018, The Consortium launched the undergraduate program and will recognize revenue in conjunction with the launch.

Note I - Temporarily Restricted Net Assets

At June 30, 2018 and 2017, temporarily restricted net assets were restricted for the following:

	<u>2018</u>	<u>2017</u>
Endowment earnings	\$ 242,581	\$ 178,431
Program restrictions	<u>10,000</u>	<u>10,000</u>
	<u>\$ 252,581</u>	<u>\$ 188,431</u>
Net assets released:	<u>2018</u>	<u>2017</u>
Endowment earnings	<u>\$ 23,000</u>	<u>\$ 18,000</u>

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2018

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, 2018, \$300,000 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.

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.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2018

Note J - Endowment Funds (Continued)

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, 2018 and 2017, 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 Consortium 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.

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, 2018</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Endowment net assets, Beginning of year	\$ -	\$ 178,431	\$ 742,221	\$ 920,652
Gifts added to principal	-	-	262,410	262,410
Investment income	-	87,150	-	87,150
Scholarships awarded	-	(23,000)	-	(23,000)
Endowment net assets, End of year	<u>\$ -</u>	<u>\$ 242,581</u>	<u>\$1,004,631</u>	<u>\$1,247,212</u>
Donor designated	<u>\$ -</u>	<u>\$ 242,581</u>	<u>\$1,004,631</u>	<u>\$1,247,212</u>

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2018

Note J - Endowment Funds (Continued)

<u>June 30, 2017</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Endowment net assets, Beginning of year	\$ -	\$ 108,980	\$ 620,870	\$ 729,850
Gifts added to principal	-	-	121,351	121,351
Investment income	-	87,451	-	87,451
Scholarships awarded	<u>-</u>	<u>(18,000)</u>	<u>-</u>	<u>(18,000)</u>
Endowment net assets, End of year	<u>\$ -</u>	<u>\$ 178,431</u>	<u>\$ 742,221</u>	<u>\$ 920,652</u>
Donor designated	<u>\$ -</u>	<u>\$ 178,431</u>	<u>\$ 742,221</u>	<u>\$ 920,652</u>