



**THE
CONSORTIUM**

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2019

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THE FIRM FOR GROWTH.®

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, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended June 30, 2019, 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, 2019 and 2018, 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, 2020

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Statements of Financial Position

June 30, 2019 and 2018

	2019	2018
ASSETS		
Current Assets		
Cash	\$ 2,494,487	\$ 1,376,227
Certificates of deposits	-	1,000,000
Corporate sponsorship receivables	1,489,231	874,000
Accounts receivable	3,443	2,239
Orientation Program receivables	25,250	548,500
Prepaid expenses and other	63,247	53,092
Total Current Assets	4,075,658	3,854,058
Property and Equipment		
Land	223,896	223,896
Building	1,094,827	1,094,827
Furniture and fixtures	738,402	699,071
Less: accumulated depreciation	865,680	817,486
Total Property and Equipment, net	1,191,445	1,200,308
Investments		
Investments, at fair value	1,738,144	1,550,495
Total Investments	1,738,144	1,550,495
TOTAL ASSETS	\$ 7,005,247	\$ 6,604,861
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 133,854	\$ 183,345
Accrued expenses	1,051,452	759,194
Current portion of mortgage note payable	47,200	47,200
Deferred revenue	98,500	171,500
Other	17,500	85,000
Total Current Liabilities	1,348,506	1,246,239
Long Term Mortgage Note Payable	590,000	637,200
Net Assets		
Without Donor Restrictions	3,714,947	3,464,210
With Donor Restrictions	1,351,794	1,257,212
Total Net Assets	5,066,741	4,721,422
TOTAL LIABILITIES AND NET ASSETS	\$ 7,005,247	\$ 6,604,861

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, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Corporation and foundation sponsorships	\$ 1,994,000	\$ -	\$ 1,994,000	\$ 2,151,500	\$ -	\$ 2,151,500
Alumni and corporate matching	187,349	-	187,349	188,763	-	188,763
Special Orientation Program gifts	918,250	-	918,250	991,000	-	991,000
Tuition remissions by participating members	40,212,709	-	40,212,709	35,055,183	-	35,055,183
Endowment gifts	-	90,261	90,261	-	262,410	262,410
Investment income, net	9,365	63,321	72,686	8,342	87,150	95,492
Orientation Program registration fees	497,769	-	497,769	447,752	-	447,752
Competitive Advantage	158,000	-	158,000	-	-	-
Application fees	247,836	-	247,836	248,000	-	248,000
Miscellaneous revenue	120,988	-	120,988	62,965	-	62,965
Net assets released from restrictions	59,000	(59,000)	-	23,000	(23,000)	-
TOTAL SUPPORT AND REVENUE	44,405,266	94,582	44,499,848	39,176,505	326,560	39,503,065
EXPENSES						
Program services:						
Student costs	40,261,709	-	40,261,709	35,078,183	-	35,078,183
Student recruiting	562,117	-	562,117	599,284	-	599,284
Alumni relations	354,126	-	354,126	365,356	-	365,356
Orientation Program	1,553,859	-	1,553,859	1,470,967	-	1,470,967
Total program services	42,731,811	-	42,731,811	37,513,790	-	37,513,790
Supporting services:						
Fundraising	539,838	-	539,838	543,663	-	543,663
Management and general	882,880	-	882,880	924,459	-	924,459
Total supporting services	1,422,718	-	1,422,718	1,468,122	-	1,468,122
TOTAL EXPENSES	44,154,529	-	44,154,529	38,981,912	-	38,981,912
CHANGE IN NET ASSETS	250,737	94,582	345,319	194,593	326,560	521,153
Net assets, beginning of year	3,464,210	1,257,212	4,721,422	3,269,617	930,652	4,200,269
Net assets, end of year	\$ 3,714,947	\$ 1,351,794	\$ 5,066,741	\$ 3,464,210	\$ 1,257,212	\$ 4,721,422

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

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Statement of Functional Expenses

Year ended June 30, 2019

	Program Services				Supporting Services			Total
	Student Costs	Student Recruiting	Alumni Relations	Orientation Program / CA	Total Program	Fund Raising	Management and General	
Salaries	\$ -	\$ 340,482	\$ 242,867	\$ 362,435	\$ 945,784	\$ 370,843	\$ 411,352	\$ 1,727,979
Payroll Taxes	-	21,398	12,524	22,456	56,378	23,145	25,852	105,375
Employee Health & Retirement Benefits	-	72,017	42,150	75,576	189,743	77,897	87,007	354,647
Total Salaries and Related Expenses	-	433,897	297,541	460,467	1,191,905	471,885	524,211	2,188,001
Supplies	-	2,006	472	195	2,673	665	10,240	13,578
Travel	-	11,719	16,236	5,135	33,090	5,532	98,917	137,539
Telephone	-	14,584	8,536	15,304	38,424	15,774	17,619	71,817
Equipment and Repairs	-	3,194	1,870	3,352	8,416	3,455	3,859	15,730
Rent, Occupancy & Utilities	-	10,770	6,303	11,302	28,375	11,649	13,012	53,036
Postage & Freight	-	1,207	422	290	1,919	1,834	2,581	6,334
Printing/Publications	-	5,296	342	-	5,638	573	1,575	7,786
Insurance	-	-	-	-	-	-	7,378	7,378
Professional Services	-	-	-	-	-	-	111,515	111,515
Special Programs and Supporting Activities	-	-	-	436,024	436,024	-	-	436,024
Advertising, Marketing & Communications	-	55,225	8,230	35,741	99,196	2,274	14,312	115,782
Miscellaneous	-	7,522	4,402	7,893	19,817	8,136	9,088	37,041
Competitive Advantage	-	-	-	124,610	124,610	-	-	124,610
Tuition Remission	40,261,709	-	-	-	40,261,709	-	-	40,261,709
Orientation Program - Student Expenses	-	-	-	436,024	436,024	-	-	436,024
Accounting Software Maint. Agreement	-	-	-	-	-	-	6,478	6,478
Total Expenses Before Depreciation and Other Expenses	40,261,709	111,523	46,813	1,075,870	41,495,915	49,892	296,574	41,842,381
Depreciation	-	9,787	5,728	10,270	25,785	10,586	11,823	48,194
Collection Fees on Bankcards	-	6,910	4,044	7,252	18,206	7,475	8,349	34,030
Bad Debt Expense	-	-	-	-	-	-	15,250	15,250
Interest Expense	-	-	-	-	-	-	26,673	26,673
Total Other Expenses	-	16,697	9,772	17,522	43,991	18,061	62,095	124,147
Total Functional Expenses	\$ 40,261,709	\$ 562,117	\$ 354,126	\$ 1,553,859	\$ 42,731,811	\$ 539,838	\$ 882,880	\$ 44,154,529

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, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 345,319	\$ 521,153
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	48,194	48,190
Bad debt	15,250	4,487
Net realized and unrealized gains on investments	(27,428)	(56,905)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Gifts restricted for permanent endowment	(90,261)	(262,410)
Corporate sponsorship receivables	(615,231)	(304,500)
Accounts receivable	(1,204)	12,042
Orientation Program receivables	508,000	(254,737)
Prepaid expenses and other	(10,155)	(1,347)
Increase (decrease) in liabilities:		
Accounts payable	(49,491)	(521,030)
Accrued expenses	292,258	278,019
Deferred revenue	(73,000)	113,350
Other	(67,500)	30,000
Net cash provided by (used in) operating activities	274,751	(393,688)
Cash flows from investing activities:		
Proceeds from redemption on certificates of deposit	1,000,000	-
Proceeds from sale of investments	48,716	26,582
Purchases of investments	(208,937)	(341,845)
Purchases of property and equipment	(39,331)	(3,818)
Net cash provided by (used in) investing activities	800,448	(319,081)
Cash flows from financing activities:		
Cash received from permanent endowment	90,261	262,410
Payments on mortgage note payable	(47,200)	(47,200)
Net cash provided by financing activities	43,061	215,210
NET INCREASE (DECREASE) IN CASH	1,118,260	(497,559)
Cash, beginning of year	1,376,227	1,873,786
Cash, end of year	\$ 2,494,487	\$ 1,376,227

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

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements

June 30, 2019

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, 2019

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

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 two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions which are either temporary or perpetual in nature.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are not restricted by donor-imposed stipulations, either temporary or perpetual in nature. Undesignated amounts are those currently available at the discretion of the Board for use in The Consortium's operations, as follows:

- Support and revenue are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions.
- Expenses are reported as decreases in net assets without donor restrictions. 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 support without donor restrictions.
- Gifts specified for the acquisition of long-lived assets are reported as net assets without donor restrictions when the assets are placed in service.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2019

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

Basis of Accounting and Presentation (Continued)

Net Assets With Donor Restrictions

Net assets with donor restrictions that are temporary in nature represent contributions, pledges receivable, deferred gifts, and undistributed investment earnings on donor-restricted endowments that are restricted by donors for specific purposes or time periods.

Net assets with donor restrictions that are perpetual in nature include endowments that will be maintained in perpetuity 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, 2019 and 2018, 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, 2019

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, 2019 and 2018.

Deferred Revenue

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

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, 2019 and 2018.

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.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2019

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

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 \$8,955 and \$12,568 for the years ended June 30, 2019 and 2018, respectively.

Change in Accounting Policy

On August 18, 2016, FASB issued Account Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Consortium has implemented ASU 2016-14 and has adjusted the presentation of these financial statements accordingly. The ASU has been applied retroactively to all periods presented.

Expense Allocation

The cost of providing various programs and other activities has 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 uses various methods to determine the allocation of expenses to the various functions. Allocations of depreciation and other occupancy costs are based on square footage while allocations of common costs, such as supplies and postage are allocated based on staff counts. Other expenses are allocated based on management estimates of time and effort.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2019

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

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2018 presentation.

Subsequent Events

The Consortium evaluated all subsequent events through January 17, 2020, 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, 2019

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 Consortium 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 Consortium 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, 2019</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 1,369,842	\$ 1,369,842	\$ -	\$ -
Stocks	<u>211,337</u>	<u>211,337</u>	<u>-</u>	<u>-</u>
Total leveled investments	<u>1,581,179</u>	<u>1,581,179</u>	<u>-</u>	<u>-</u>
Cash equivalents	<u>156,965</u>			
Total	<u>\$ 1,738,144</u>			
<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>			

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2019

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.

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, 2019 and 2018. 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>
2020	\$ 47,200
2021	47,200
2022	47,200
2023	<u>495,600</u>
	<u>\$ 637,200</u>

Interest paid was \$26,673 and \$28,279 for the years ended June 30, 2019 and 2018, respectively.

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, 2019 and 2018. These amounts have been reflected in The Consortium's applicable contribution and expense categories. These contributions amounted to \$40,287,900 and \$35,111,679 as of June 30, 2019 and 2018, respectively.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2019

Note E - Bad Debts

Bad debt expense was \$15,250 and \$4,487 for the years ended June 30, 2019 and 2018, 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 2019 of the award commitments and committee member university funding is as follows:

Fellowship awards	\$ 40,261,709
Less: tuition remissions by member universities	<u>40,212,709</u>
Commitment by The Consortium	<u>\$ 49,000</u>

Conferences

The Consortium has entered into contracts with hotels for future planned conferences in 2020, 2021, and 2022. 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, 2019, The Consortium does not intend to cancel these commitments.

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2019

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 ended June 30, 2019 and 2018, The Consortium contributed \$209,137 and \$177,327, 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 \$31,834 and \$59,592, respectively, is classified as accrued expense on the statements of financial position for June 30, 2019 and 2018.

Note H - Net Assets With Donor Restrictions

At June 30, 2019 and 2018, net assets with donor restrictions were restricted for the following:

	<u>2019</u>	<u>2018</u>
Restrictions Temporary in Nature		
Endowment earnings	\$ 256,902	\$ 242,581
Program restrictions	<u>-</u>	<u>10,000</u>
	<u>256,902</u>	<u>252,581</u>
Restrictions Perpetual in Nature		
Endowment Funds	<u>1,094,892</u>	<u>1,004,631</u>
Total net assets with donor restrictions	<u>\$ 1,351,794</u>	<u>\$ 1,257,212</u>
	<u>2019</u>	<u>2018</u>
Net assets released:		
Endowment earnings	\$ 49,000	\$ 23,000
Program restrictions	<u>10,000</u>	<u>-</u>
	<u>\$ 59,000</u>	<u>\$ 23,000</u>

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2019

Note I - 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, 2019, \$350,000 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, 2019

Note I - 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, 2019 and 2018, 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 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, 2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,247,212	\$ 1,247,212
Gifts added to principal	-	90,261	90,261
Investment income, net	-	63,321	63,321
Scholarships awarded	-	(49,000)	(49,000)
Endowment net assets, end of year	\$ <u>-</u>	\$ <u>1,351,794</u>	\$ <u>1,351,794</u>

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2019

Note I - Endowment Funds (Continued)

<u>June 30, 2018</u>	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 920,652	\$ 920,652
Gifts added to principal	-	262,410	262,410
Investment income, net	-	87,150	87,150
Scholarships awarded	<u>-</u>	<u>(23,000)</u>	<u>(23,000)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,247,212</u>	<u>\$ 1,247,212</u>

Endowment net asset composition by type of funds as of June 30, 2019:

<u>June 30, 2019</u>	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Donor designated gifts	\$ -	\$ 1,094,892	\$ 1,094,892
Earnings on donor gifts	<u>-</u>	<u>256,902</u>	<u>256,902</u>
	<u>\$ -</u>	<u>\$ 1,351,794</u>	<u>\$ 1,351,794</u>

Endowment net asset composition by type of funds as of June 30, 2018:

<u>June 30, 2018</u>	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Donor designated gifts	\$ -	\$ 1,004,631	\$ 1,004,631
Earnings on donor gifts	<u>-</u>	<u>242,581</u>	<u>242,581</u>
	<u>\$ -</u>	<u>\$ 1,247,212</u>	<u>\$ 1,247,212</u>

THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

Notes to Financial Statements - Continued

June 30, 2019

Note J - Availability and Liquidity of Financial Resources:

As of June 30, 2019, the Consortium financial assets available for general expenditures over the next twelve months consists of:

Cash	\$ 2,494,487
Corporate sponsorship receivables	1,489,231
Accounts receivable	3,443
Orientation Program receivable	25,250
Investments	1,738,144
Less amounts restricted by donors	<u>(1,351,794)</u>
	<u>\$ 4,398,761</u>