



**THE  
CONSORTIUM**

Financial Statements  
with  
Independent Auditor's Report

June 30, 2020

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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, 2020 and 2019, and the related statements of activities, functional expenses, 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, 2020 and 2019, 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.

## **Emphasis of a Matter**

As discussed in Note K to the financial statements, in March of 2020, the World Health Organization declared COVID-19 a “Public Health Emergency of International Concern.” Given the uncertainty of the situation, the duration of any organizational disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

*Brown Smith Wallace, LLP*

St. Louis, Missouri  
November 2, 2020

# THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

## Statements of Financial Position

June 30, 2020 and 2019

(See Independent Auditor's Report)

	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 2,729,026	\$ 2,494,487
Accounts and other receivables	1,123,639	1,517,924
Prepaid expenses and other	58,627	63,247
<b>Total Current Assets</b>	<b>3,911,292</b>	4,075,658
<b>Property and Equipment</b>		
Land	223,896	223,896
Building	1,154,042	1,094,827
Furniture and fixtures	763,442	738,402
Less: accumulated depreciation	(914,131)	(865,680)
<b>Total Property and Equipment, net</b>	<b>1,227,249</b>	1,191,445
<b>Investments</b>		
Investments, at fair value	1,884,266	1,738,144
<b>Total Investments</b>	<b>1,884,266</b>	1,738,144
<b>TOTAL ASSETS</b>	<b>\$ 7,022,807</b>	<b>\$ 7,005,247</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 151,440	\$ 133,854
Accrued expenses	165,956	640,351
Current portion of mortgage note payable	47,200	47,200
Deferred revenue	68,425	98,500
Other	25,000	17,500
<b>Total Current Liabilities</b>	<b>458,021</b>	937,405
<b>Long Term Mortgage Note Payable</b>	<b>542,800</b>	590,000
<b>Paycheck Protection Program Loan Payable</b>	<b>266,262</b>	-
<b>Deferred compensation liability</b>	<b>482,061</b>	411,101
<b>Total Liabilities</b>	<b>1,749,144</b>	1,938,506
<b>Net Assets</b>		
Without Donor Restrictions	3,843,577	3,714,947
With Donor Restrictions	1,430,086	1,351,794
<b>Total Net Assets</b>	<b>5,273,663</b>	5,066,741
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,022,807</b>	<b>\$ 7,005,247</b>

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

# THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

## Statements of Activities

For Fiscal Years Ended June 30, 2020 and 2019

(See Independent Auditor's Report)

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Corporation and foundation sponsorships	\$ 1,707,500	\$ -	\$ 1,707,500	\$ 1,994,000	\$ -	\$ 1,994,000
Alumni and corporate matching	195,926	-	195,926	187,349	-	187,349
Special Orientation Program gifts	557,500	-	557,500	918,250	-	918,250
Tuition remissions by participating members	43,347,120	-	43,347,120	40,212,709	-	40,212,709
Endowment gifts	-	68,041	68,041	-	90,261	90,261
Investment income, net	7,459	63,251	70,710	9,365	63,321	72,686
Orientation Program registration fees	378,775	-	378,775	497,769	-	497,769
Competitive Advantage	126,650	-	126,650	158,000	-	158,000
Application fees	228,175	-	228,175	247,836	-	247,836
Miscellaneous revenue	104,380	-	104,380	120,988	-	120,988
Net assets released from restrictions	53,000	(53,000)	-	59,000	(59,000)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>46,706,485</b>	<b>78,292</b>	<b>46,784,777</b>	<b>44,405,266</b>	<b>94,582</b>	<b>44,499,848</b>
<b>EXPENSES</b>						
<b>Program services:</b>						
Student costs	43,573,063	-	43,573,063	40,261,709	-	40,261,709
Student recruiting	602,388	-	602,388	562,117	-	562,117
Alumni relations	300,287	-	300,287	354,126	-	354,126
Orientation Program	756,250	-	756,250	1,553,859	-	1,553,859
<b>Total program services</b>	<b>45,231,988</b>	<b>-</b>	<b>45,231,988</b>	<b>42,731,811</b>	<b>-</b>	<b>42,731,811</b>
<b>Supporting services:</b>						
Fundraising	437,876	-	437,876	539,838	-	539,838
Management and general	907,991	-	907,991	882,880	-	882,880
<b>Total supporting services</b>	<b>1,345,867</b>	<b>-</b>	<b>1,345,867</b>	<b>1,422,718</b>	<b>-</b>	<b>1,422,718</b>
<b>TOTAL EXPENSES</b>	<b>46,577,855</b>	<b>-</b>	<b>46,577,855</b>	<b>44,154,529</b>	<b>-</b>	<b>44,154,529</b>
<b>CHANGE IN NET ASSETS</b>	<b>128,630</b>	<b>78,292</b>	<b>206,922</b>	<b>250,737</b>	<b>94,582</b>	<b>345,319</b>
<b>Net assets, beginning of year</b>	<b>3,714,947</b>	<b>1,351,794</b>	<b>5,066,741</b>	<b>3,464,210</b>	<b>1,257,212</b>	<b>4,721,422</b>
<b>Net assets, end of year</b>	<b>\$ 3,843,577</b>	<b>\$ 1,430,086</b>	<b>\$ 5,273,663</b>	<b>\$ 3,714,947</b>	<b>\$ 1,351,794</b>	<b>\$ 5,066,741</b>

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

# THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

## Statement of Functional Expenses

For Fiscal Year Ended June 30, 2020

(See Independent Auditor's Report)

	Program Services					Supporting Services		
	Student Costs	Student Recruiting	Alumni Relations	Orientation Program / CA	Total Program	Fund Raising	Management and General	Total
Salaries	\$ -	\$ 360,745	\$ 171,128	\$ 392,739	\$ 924,612	\$ 296,577	\$ 325,898	\$ 1,547,087
Accrued vacation	-	9,977	4,733	10,862	25,572	8,202	9,012	42,786
Temporary workers	-	-	29,487	3,469	32,956	1,735	-	34,691
Payroll taxes	-	23,239	11,024	25,300	59,563	19,105	20,994	99,662
Employee health and retirement benefits	-	77,915	36,960	84,825	199,700	64,054	70,388	334,142
Total Salaries and Related Expenses	-	471,876	253,332	517,195	1,242,403	389,673	426,292	2,058,368
Supplies	-	972	264	151	1,387	512	8,450	10,349
Travel	-	10,410	15,634	8,881	34,925	8,323	53,870	97,118
Telephone	-	15,348	7,281	16,709	39,338	12,618	13,865	65,821
Equipment and repairs	-	2,239	1,062	2,437	5,738	1,841	2,022	9,601
Rent, occupancy and utilities	-	10,553	5,006	11,489	27,048	8,676	9,534	45,258
Postage and freight	-	2,288	950	60	3,298	60	2,541	5,899
Printing/publications	-	5,738	-	-	5,738	-	212	5,950
Insurance	-	-	-	-	-	-	7,752	7,752
Professional services	-	-	-	-	-	-	191,269	191,269
Advertising, marketing and communications	-	64,891	8,185	49,964	123,040	1,315	5,637	129,992
Miscellaneous	-	-	-	-	-	-	127,759	127,759
Competitive advantage	-	-	-	129,688	129,688	-	-	129,688
Tuition remission	43,400,120	-	-	-	43,400,120	-	-	43,400,120
Orientation program - student expenses	172,943	-	-	-	172,943	-	-	172,943
Accounting software maint. agreement	-	-	-	-	-	-	6,740	6,740
Total expenses before depreciation and other expenses	43,573,063	112,439	38,382	219,379	43,943,263	33,345	429,651	44,406,259
Depreciation	-	11,298	5,359	12,300	28,957	9,288	10,206	48,451
Collection Fees on Bankcards	-	6,775	3,214	7,376	17,365	5,570	6,121	29,056
Bad Debt Expense	-	-	-	-	-	-	11,000	11,000
Interest Expense	-	-	-	-	-	-	24,721	24,721
Total Other Expenses	-	18,073	8,573	19,676	46,322	14,858	52,048	113,228
Total Functional Expenses	\$ 43,573,063	\$ 602,388	\$ 300,287	\$ 756,250	\$ 45,231,988	\$ 437,876	\$ 907,991	\$ 46,577,855

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

# THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

## Statement of Functional Expenses

For Fiscal Year Ended June 30, 2019

(See Independent Auditor's Report)

	Program Services					Supporting Services		
	Student Costs	Student Recruiting	Alumni Relations	Orientation Program / CA	Total Program	Fund Raising	Management and General	Total
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 and 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 and utilities	-	10,770	6,303	11,302	28,375	11,649	13,012	53,036
Postage and 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 and 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

For Fiscal Years Ended June 30, 2020 and 2019

(See Independent Auditor's Report)

	2020	2019
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 206,922	\$ 345,319
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	48,451	48,194
Bad debt	11,000	15,250
Net realized and unrealized gains on investments	(6,601)	(27,428)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Gifts restricted for permanent endowment	(68,041)	(90,261)
Accounts and other receivables	383,285	(108,435)
Prepaid expenses and other	4,620	(10,155)
Increase (decrease) in liabilities:		
Accounts payable	17,586	(49,491)
Accrued expenses	(474,395)	209,635
Deferred compensation liability	70,960	82,623
Deferred revenue	(30,075)	(73,000)
Other	7,500	(67,500)
<b>Net cash from operating activities</b>	<b>171,212</b>	<b>274,751</b>
<b>Cash flows from investing activities:</b>		
Proceeds from redemption on certificates of deposit	-	1,000,000
Proceeds from sale of investments	53,000	48,716
Purchases of investments	(192,521)	(208,937)
Purchases of property and equipment	(84,255)	(39,331)
<b>Net cash from investing activities</b>	<b>(223,776)</b>	<b>800,448</b>
<b>Cash flows from financing activities:</b>		
Cash received from permanent endowment	68,041	90,261
Paycheck protection program loan receipt	266,262	-
Payments on mortgage note payable	(47,200)	(47,200)
<b>Net cash from financing activities</b>	<b>287,103</b>	<b>43,061</b>
<b>NET INCREASE IN CASH</b>	<b>234,539</b>	<b>1,118,260</b>
<b>Cash, beginning of year</b>	<b>2,494,487</b>	<b>1,376,227</b>
<b>Cash, end of year</b>	<b>\$ 2,729,026</b>	<b>\$ 2,494,487</b>

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

# THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

## Notes to Financial Statements

June 30, 2020

(See Independent Auditor's Report)

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### 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*

Georgetown University  
*McDonough School of Business*

University of California, Los Angeles  
*UCLA Anderson School of Management*

Indiana University – Bloomington  
*Kelley School of Business*

Carnegie Mellon University  
*Tepper School of Business*

University of Michigan – Ann Arbor  
*Michigan Ross School of Business*

Cornell University  
*Samuel Curtis Johnson  
Graduate School of Management*

New York University  
*Leonard N. Stern School of Business*

Dartmouth College  
*Tuck School of Business*

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

Emory University  
*Goizueta Business School*

Rice University  
*Jones Graduate School of Business*

University of Rochester  
*Simon Business School*

Washington University in St. Louis  
*Olin Business School*

# THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

## Notes to Financial Statements

June 30, 2020

(See Independent Auditor's Report)

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### 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, 2020

(See Independent Auditor's Report)

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### 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 fiscal years ended June 30, 2020 and 2019, and at fiscal year-end, balances on deposit exceeded Federal Deposit Insurance Corporation ("FDIC") insured limits. The Consortium has not incurred any losses as a result of the excess balances.

#### *Accounts Receivable and Contributions*

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.

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, 2020 and 2019.

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, 2020

(See Independent Auditor's Report)

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

#### ***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.

#### ***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, 2020 and 2019.

#### ***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.

#### ***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.

# THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

## Notes to Financial Statements – Continued

June 30, 2020

(See Independent Auditor's Report)

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

#### ***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.

#### ***PPP Loan Payable***

The Small Business Administration Paycheck Protection Program ("PPP") loan obtained by The Consortium is presented as a liability until forgiven or paid back. If any part of the loan is forgiven and legal release is received, The Consortium will reduce the liability by the amounts forgiven and record a gain on extinguishment in the statement of activities.

#### ***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 \$8,893 and \$8,955 for the years ended June 30, 2020 and 2019, respectively.

#### ***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.

#### ***Subsequent Events***

The Consortium evaluated all subsequent events through November 2, 2020, the date the financial statements were available to be issued.

#### ***Reclassifications***

Certain reclassifications were made to the prior year audited financial statements to conform to current year presentation.

# THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

## Notes to Financial Statements – Continued

June 30, 2020

(See Independent Auditor's Report)

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

#### ***Change in Accounting Policy***

In June 2018, the FASB issued Accounting Standards Update (“ASU”) 2018-08, Not-for-Profit Entities (Topic 948), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarified and improved guidance for contributions received and contributions made and provided guidance to The Consortium on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, the change enhances comparability of financial information of not-for-profit entities. The Consortium has evaluated the reporting requirements of ASU 2018-08 and determined that implementation would not result in an adjustment to the prior period financial statements.

In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842): *Effective Dates for Certain Entities*, permitting private entities that have not yet issued their financial statements as of June 30, 2020, to defer adopting ASU 2014-09, *Revenue from Contracts with Customers*, for annual reporting periods beginning after December 15, 2019. The Consortium has chosen to adopt and implement ASU 2020-05 for the fiscal year ended June 30, 2020, permitting the deferral of adoption of ASU 2014-09, *Revenue from Contracts with Customers*, until June 30, 2021.

### 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, 2020

(See Independent Auditor's Report)

### 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 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, 2020</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 1,627,204	\$ 1,627,204	\$ -	\$ -
Stocks	<u>174,883</u>	<u>174,883</u>	<u>-</u>	<u>-</u>
Total leveled investments	1,802,087	<u>1,802,087</u>	<u>-</u>	<u>-</u>
Cash equivalents	<u>82,179</u>			
Total	<u>\$ 1,884,266</u>			
<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	1,581,179	<u>1,581,179</u>	<u>-</u>	<u>-</u>
Cash equivalents	<u>156,965</u>			
Total	<u>\$ 1,738,144</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.



# THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

## Notes to Financial Statements – Continued

June 30, 2020

(See Independent Auditor's Report)

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### Note C - Mortgage Note Payable and PPP Loan Payable

#### *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, 2020 and 2019. 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>
2021	\$ 47,200
2022	47,200
2023	<u>495,600</u>
	<u>\$ 590,000</u>

Interest paid was \$24,721 and \$26,673 for the years ended June 30, 2020 and 2019, respectively.

#### *PPP Loan Payable*

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. The legislation included provisions for expansion of the U.S. Small Business Administration's 7(a) Loan Program to support the new PPP. The Consortium applied and was awarded a loan in the amount of \$266,262 under the PPP. The loan bears interest at 1% with any accrued interest to be forgiven along with the principal balance. This loan is unsecured, and all unpaid principal and interest shall be due upon maturity on April 15, 2022, if not forgiven. PPP loans can be forgiven if certain conditions are met. As of June 30, 2020, The Consortium had not received approval that the certain conditions were met, therefore, no forgiveness has been recorded.

### 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 fiscal years ended June 30, 2020 and 2019. These amounts have been reflected in The Consortium's applicable contribution and expense categories. These contributions amounted to \$43,390,215 and \$40,287,900 for the fiscal years ended June 30, 2020 and 2019, respectively.

# THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

## Notes to Financial Statements – Continued

June 30, 2020

(See Independent Auditor's Report)

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### Note E - Bad Debts

Bad debt expense was \$11,000 and \$15,250 for the fiscal years ended June 30, 2020 and 2019, 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 2020 of the award commitments and committee member university funding is as follows:

Fellowship awards	\$ 43,400,120
Less: tuition remissions by member universities	<u>(43,347,120)</u>
Commitment by The Consortium	<u>\$ 53,000</u>

#### *Conferences*

The Consortium has entered into contracts with hotels for future planned conferences in 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, 2020, The Consortium is actively monitoring both the meetings marketplace and local public health regulations to assess the viability of future conferences.

### 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, 2020 and 2019, The Consortium contributed \$187,777 and \$209,137, 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 \$11,463 and \$31,834, respectively, is classified as accrued expense on the statements of financial position for June 30, 2020 and 2019.

# THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

## Notes to Financial Statements – Continued

June 30, 2020

(See Independent Auditor's Report)

### Note H - Net Assets With Donor Restrictions

At June 30, 2020 and 2019, net assets with donor restrictions were restricted for the following:

	<u>2020</u>	<u>2019</u>
<b>Restrictions Temporary in Nature</b>		
Endowment earnings	\$ 267,153	\$ 256,902
Program restrictions	-	-
	<u>267,153</u>	<u>256,902</u>
<b>Restrictions Perpetual in Nature</b>		
Endowment Funds	<u>1,162,933</u>	<u>1,094,892</u>
Total net assets with donor restrictions	<u>\$ 1,430,086</u>	<u>\$ 1,351,794</u>
	<u>2019</u>	<u>2018</u>
Net assets released:		
Endowment earnings	\$ 53,000	\$ 49,000
Program restrictions	-	10,000
	<u>\$ 53,000</u>	<u>\$ 59,000</u>

### 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, 2020, \$400,000 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, 2020

(See Independent Auditor's Report)

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### Note I - 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 net assets with donor restrictions (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 net assets with donor restrictions is classified as net assets without donor restrictions 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 without donor restrictions are classified as net assets without donor restrictions for financial statements purposes. At June 30, 2020 and 2019, 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.

# THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

## Notes to Financial Statements – Continued

June 30, 2020

(See Independent Auditor's Report)

### Note I - Endowment Funds (Continued)

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, 2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,351,794	\$ 1,351,794
Gifts added to principal	-	68,041	68,041
Investment income, net	-	63,251	63,251
Scholarships awarded	<u>-</u>	<u>(53,000)</u>	<u>(53,000)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,430,086</u>	<u>\$ 1,430,086</u>

<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	<u>-</u>	<u>(49,000)</u>	<u>(49,000)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,351,794</u>	<u>\$ 1,351,794</u>

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

<u>2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor designated gifts	\$ -	\$ 1,162,933	\$ 1,162,933
Earnings on donor gifts	<u>-</u>	<u>267,153</u>	<u>267,153</u>
	<u>\$ -</u>	<u>\$ 1,430,086</u>	<u>\$ 1,430,086</u>

  

<u>2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor 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>

# THE CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT

## Notes to Financial Statements – Continued

June 30, 2020

(See Independent Auditor's Report)

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### Note J - Availability and Liquidity of Financial Resources:

As of June 30, 2020, the Consortium financial assets available for general expenditures over the next twelve months consists of:

	<u>2020</u>	<u>2019</u>
Cash	\$ 2,729,026	\$ 2,494,487
Corporate sponsorship receivables	686,481	1,489,231
Accounts receivable	158	3,443
Orientation Program receivable	437,000	25,250
Investments	1,402,205	1,327,043
Less amounts restricted by donors	<u>(1,430,086)</u>	<u>(1,351,794)</u>
	<u>\$ 3,824,784</u>	<u>\$ 3,987,660</u>

### Note K - Risks and Uncertainties

The Consortium's financial performance, estimates, contracts and operations in the next 12 months may be affected by the ongoing outbreak of COVID-19, which was declared a global pandemic by the World Health Organization in March of 2020. The full extent and duration of the impact of COVID-19 on The Consortium's operations and financial performance is currently unknown and depends on uncertain and unpredictable developments.