

**THE FOUNDATION FOR
THE MALCOLM BALDRIGE
NATIONAL QUALITY AWARD, INC.**

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2016



THE FOUNDATION FOR THE MALCOLM BALDRIGE
NATIONAL QUALITY AWARD, INC.
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2016 AND 2015
TABLE OF CONTENTS

INTRODUCTION SECTION:

Board of Directors

PAGE

INDEPENDENT AUDITOR'S REPORT

1-2

FINANCIAL STATEMENTS:

EXHIBIT

A Statements of Financial Position

3

B Statements of Activities and Changes
in Net Assets

4-5

C Statements of Cash Flows

6

NOTES TO FINANCIAL STATEMENTS

7-15

ADDITIONAL INFORMATION:

SCHEDULE

1 Schedules of General and Administrative Expenses

16

2 Schedules of Fundraising Expenses

17

3 Schedule of Assets Held for Investment Purposes

18

THE FOUNDATION FOR THE MALCOLM BALDRIGE
NATIONAL QUALITY AWARD, INC.

SEPTEMBER 30, 2016

BOARD OF DIRECTORS

George Benson, Chairman

Kathryn Eggleston, Vice Chairman

Frank Fusco, Treasurer

Paul Worstell, Secretary

David Gifford

Lowell Kruse

Terry May

Todd McQueston

Sunil Sinha

David Spong

Debbie Collard

Al Faber, President and CEO



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON BARTELSON

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Foundation for the Malcolm Baldrige
National Quality Award, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Foundation for the Malcolm Baldrige National Quality Award, Inc. (a nonprofit Delaware corporation), which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities and changes in net assets 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 fraud or error.

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 audit 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 entity'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 entity'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.

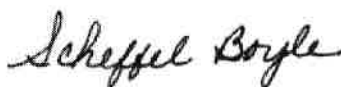
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Foundation for the Malcolm Baldrige National Quality Award, Inc. as of September 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section, which is the responsibility of management, is of a non-accounting nature and has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.



Belleville, Illinois

March 4, 2017

THE FOUNDATION FOR THE MALCOLM BALDRIGE
NATIONAL QUALITY AWARD, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015

ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 302,234	\$ 332,771
Unconditional Promises to Give	72,500	91,505
Investments		
Money Market Accounts	126,869	162,318
Mutual Funds	4,197,994	8,066,060
	<u>4,324,863</u>	<u>8,228,378</u>
Total Current Assets	4,699,597	8,652,654
OTHER ASSETS:		
Unconditional Promises to Give	<u>118,500</u>	<u>109,500</u>
TOTAL ASSETS	<u>\$ 4,818,097</u>	<u>\$ 8,762,154</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 24,002	\$ 11,795
Deferred Revenue	1,000,000	1,000,000
Total Current Liabilities	<u>1,024,002</u>	<u>1,011,795</u>
NET ASSETS:		
Temporarily Restricted	118,500	109,500
Unrestricted		
Designated	2,500,000	3,500,000
Undesignated	1,175,595	4,140,859
Total Net Assets	<u>3,794,095</u>	<u>7,750,359</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,818,097</u>	<u>\$ 8,762,154</u>

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

THE FOUNDATION FOR THE MALCOLM BALDRIGE
NATIONAL QUALITY AWARD, INC.
STATEMENTS OF ACTIVITIES AND
CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
UNRESTRICTED NET ASSETS:		
Revenues and Gains		
Investment Income		
Interest Income	\$ 110	\$ 174
Dividends and Interest on Investments	240,576	327,032
Gains		
Realized	-	49,626
Unrealized	282,857	-
Total Investment Income	523,543	376,832
Less Investment Expenses	-	(17,527)
Net Investment Income	523,543	359,305
Conference Fees and Charges		
Quest Income	15,203	-
ASQ Summary of Funds	500,000	80,680
Total Conference Fees and Charges	515,203	80,680
Fundraising Income	133,231	130,770
In-Kind Donations	100,447	-
Miscellaneous	12,680	52,159
Total Unrestricted Revenues and Gains	761,561	263,609
Net Assets Released from Restrictions	-	178,500
Total Unrestricted Revenues, Gains and Other Support	1,285,104	801,414
Expenses and Losses		
Program Services		
Award Expenses		
Process Management and Support	4,000,000	4,506,227
Marketing Strategy	68,000	-
Harry Hertz Award	15,241	2,150
Regional Conferences	27,422	73,151
Miscellaneous Expense	-	114
Total Program Services	4,110,663	4,581,642

THE FOUNDATION FOR THE MALCOLM BALDRIGE
NATIONAL QUALITY AWARD, INC.
STATEMENTS OF ACTIVITIES AND
CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS (CONT'D):		
Expenses and Losses (Cont'd)		
Supporting Services		
General and Administrative - Schedule 1	528,296	169,771
Fundraising - Schedule 2	583,983	535,697
Total Supporting Services	<u>1,112,279</u>	<u>705,468</u>
Total Expenses	<u>5,222,942</u>	<u>5,287,110</u>
Losses on Investments		
Realized	27,426	-
Unrealized	-	262,114
Total Losses on Investments	<u>27,426</u>	<u>262,114</u>
Total Expenses and Losses	<u>5,250,368</u>	<u>5,549,224</u>
Increase (Decrease) in Unrestricted Net Assets	<u>(3,965,264)</u>	<u>(4,747,810)</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	9,000	-
Net Assets Released from Restrictions	-	(178,500)
Increase (Decrease) in Temporarily Restricted Net Assets	<u>9,000</u>	<u>(178,500)</u>
Increase (Decrease) in Net Assets	(3,956,264)	(4,926,310)
NET ASSETS, BEGINNING OF YEAR	<u>7,750,359</u>	<u>12,676,669</u>
NET ASSETS, END OF YEAR	<u>\$ 3,794,095</u>	<u>\$ 7,750,359</u>

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

THE FOUNDATION FOR THE MALCOLM BALDRIGE
NATIONAL QUALITY AWARD, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in Net Assets	\$ (3,956,264)	\$ (4,926,310)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities		
Net Unrealized and Realized (Gain) Loss on Investments	(255,431)	212,488
Changes in Assets and Liabilities		
(Increase) Decrease in Operating Assets		
Contributions Receivable	10,005	267,250
Prepaid Expenses	-	1,506,227
Increase (Decrease) in Operating Liabilities		
Accrued Expenses	-	(32,519)
Accounts Payable	12,207	(9,384)
Total Adjustments	<u>(233,219)</u>	<u>1,944,062</u>
Net Cash (Used) by Operating Activities	<u>(4,189,483)</u>	<u>(2,982,248)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	4,158,946	12,190,229
Purchase of Investments	-	(10,263,316)
Net Cash Provided by Investing Activities	<u>4,158,946</u>	<u>1,926,913</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
None	<u>-</u>	<u>-</u>
Net (Decrease) Cash and Cash Equivalents	(30,537)	(1,055,335)
Cash and Cash Equivalents, Beginning of Year	<u>332,771</u>	<u>1,388,106</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 302,234</u>	<u>\$ 332,771</u>

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

THE FOUNDATION FOR THE MALCOLM BALDRIGE
NATIONAL QUALITY AWARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of The Foundation for the Malcolm Baldrige National Quality Award, Inc. (the Foundation) have been prepared on the accrual basis of accounting (see discussion on program expenses below). The Foundation was organized under the laws of Delaware and under Section 501(c)(3) of the United States Internal Revenue Code as a charitable nonprofit corporation.

Description of Foundation

The Foundation for the Malcolm Baldrige National Quality Award, Inc. was created to provide the private sector a means of accomplishing the following Award objectives: raise sufficient funds to establish an endowment which, when supplemented by fees from Award applicants, would permanently fund the Program; oversee the investment of endowment funds; review Program accomplishments; disburse required funds to the National Institute of Standards and Technology (NIST); and review the plan and approve associated funds requirements for subsequent years to ensure a successful Award program.

The Foundation is intended to function as an endowment fund. The fund is not legally restricted, and the Foundation plans to fund its future operations through earnings derived from its investments and potential additional solicitation.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. As of September 30, 2016 and 2015, cash and cash equivalents were maintained in bank checking accounts.

Investments

Investments are stated at fair value.

The Foundation adopted a new investment policy in June 2014. The policy states that investment of funds shall be limited to individual marketable securities or common investment pools in the following categories of cash and cash equivalents, fixed income - domestic bonds, domestic equities, international equities, emerging markets equities, floating rate corporate loans, high yield fixed income and alternative investments such as low correlated hedge funds, direct real estate, commodities or REIT's.

THE FOUNDATION FOR THE MALCOLM BALDRIGE
NATIONAL QUALITY AWARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Contributions Receivable

Contributions are recorded as revenue when an unconditional promise to give is received. Contributions are classified as unrestricted, temporarily restricted, or permanently restricted depending upon the presence or absence of donor imposed restrictions. Contributions are recorded at fair value at the date of donation. Contributions receivable are recorded at the present value of their estimated future cash flows.

Deferred Revenue

Cash received by the Foundation in the current or prior years that will be recognized over the subsequent periods to which it relates have been recorded as deferred revenue.

Donated Services

Donated services are recognized as contributions at their estimated fair value if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The Foundation recorded \$100,447 in donated services for various professional services and donated board member travel during the year ended September 30, 2016.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses.

Program Expenses

The Foundation sponsors the Malcolm Baldrige National Quality Award for performance excellence in the business, health care, education and nonprofit communities.

The Foundation provides to NIST the funds necessary to support the Quality Award Program, under the requirements of the *Malcolm Baldrige National Quality Improvement Act of 1987*. The Foundation records annual expenses based on the most recent actual data provided by NIST as of September 30. Subsequent adjustments to this data, based on actual NIST cost incurred per a third-party contract, are recorded in the period NIST informs the Foundation. Management does not believe this recording of expenses varies significantly from generally accepted accounting principles.

THE FOUNDATION FOR THE MALCOLM BALDRIGE
NATIONAL QUALITY AWARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Use of Estimates

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

Income Taxes

The Foundation is exempt from income tax based upon a determination under Section 501(c)(3) of the Internal Revenue Service Code.

Accounting Standards Codification Topic 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of the tax positions taken or expected to be taken in a tax return. Topic 740 developed a two-step process to evaluate a tax position and also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Foundation adopted Topic 740 and has not recorded a reserve for any tax positions for which the ultimate deductibility is highly certain, but for which there is uncertainty about the timing of such deductibility. Management believes it files tax returns in all appropriate jurisdictions. The open tax years are those years ended September 30, 2014 through September 30, 2016. The tax return for the year ended September 30, 2016 will be filed subsequent to the date of this report. As of September 30, 2016, the Foundation has no recorded liability for unrecognized tax benefits.

The Foundation recognizes interest and penalties related to uncertain tax positions as interest and penalties are incurred. No such expense was recognized for the year ended September 30, 2016.

Basis of Presentation

The Foundation is required 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.

A description of the three net asset categories follows:

THE FOUNDATION FOR THE MALCOLM BALDRIGE
NATIONAL QUALITY AWARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation (Cont'd)

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. No permanently restricted assets were held by the Foundation and, accordingly, these financial statements do not reflect any activity related to this class of net assets.

Date of Management Evaluation

Management has evaluated subsequent events through the date of this report, the date on which the financial statements were available to be issued.

NOTE 2. INVESTMENTS

Investments are stated at fair value, which is based on quoted market prices at September 30, 2016 and 2015. Those investments are limited in use to the support of the Quality Award Program and are not restricted as defined in SFAS No. 117, *Financial Statements of Not-For-Profit Organizations*. Investments as of September 30, 2016 and 2015 are comprised of the following:

	September 30, 2016		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money Market Accounts	\$ 126,869	\$ 126,869	\$ -
Mutual Funds	4,177,251	4,197,994	20,743
	\$ 4,304,120	\$ 4,324,863	20,743
Less Unrealized Appreciation (Depreciation) prior to 2016			(262,114)
Unrealized Gain (Loss) on Investments - 2016			\$ 282,857

THE FOUNDATION FOR THE MALCOLM BALDRIGE
NATIONAL QUALITY AWARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2. INVESTMENTS (CONT'D)

	September 30, 2015		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money Market Accounts	\$ 162,318	\$ 162,318	\$ -
Mutual Funds	8,328,174	8,066,060	(262,114)
	\$ 8,490,492	\$ 8,228,378	(262,114)
Less Unrealized Appreciation (Depreciation) prior to 2015 *			-
Unrealized Gain (Loss) on Investments - 2015			\$ (262,114)

* During the current year, all prior investments were sold and new investments were purchased.

Investment income and realized and unrealized gains and losses are included in the changes in net assets and for the years ended September 30, 2016 and 2015 consist of:

	2016	2015
Dividends and Interest on Investments	\$ 240,576	\$ 327,032
Interest on Money Market Accounts	110	174
Gains and (Losses)		
Realized	(27,426)	49,626
Unrealized	282,857	(262,114)
Total Investment Income	496,117	114,718
Less Fund Management Fees	-	(17,527)
Net Investment Income	\$ 496,117	\$ 97,191

The above is presented per Exhibit B.

	2016	2015
Net Investment Income	\$ 523,543	\$ 359,305
Losses on Investments	(27,426)	(262,114)
Total Investment Income	\$ 496,117	\$ 97,191

The following investments represent more than 5% of total investments: Vanguard Short Term, Vanguard Wellesley.

THE FOUNDATION FOR THE MALCOLM BALDRIGE
NATIONAL QUALITY AWARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2. INVESTMENTS (CONT'D)

Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in active markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the assets or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value on a recurring basis. There have been no changes in the methodology used at September 30, 2016 and 2015.

THE FOUNDATION FOR THE MALCOLM BALDRIGE
NATIONAL QUALITY AWARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2. INVESTMENTS (CONT'D)

Fair Value Measurements (Cont'd)

Equities: Valued at the closing price reported in the active market in which the individual security is traded.

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

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets measured on a recurring basis at fair value as of September 30, 2016 and 2015:

	<u>Assets at Fair Value as of September 30, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Accounts	<u>\$ 126,869</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,869</u>
Mutual Funds				
Large Company	2,698,202	-	-	2,698,202
Fixed Income	<u>1,499,792</u>	<u>-</u>	<u>-</u>	<u>1,499,792</u>
Total Mutual Funds	<u>4,197,994</u>	<u>-</u>	<u>-</u>	<u>4,197,994</u>
Total	<u>\$ 4,324,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,324,863</u>
	<u>Assets at Fair Value as of September 30, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Accounts	<u>\$ 162,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,318</u>
Mutual Funds				
Large Company	4,508,729	-	-	4,508,729
Fixed Income	<u>3,557,331</u>	<u>-</u>	<u>-</u>	<u>3,557,331</u>
Total Mutual Funds	<u>8,066,060</u>	<u>-</u>	<u>-</u>	<u>8,066,060</u>
Total	<u>\$ 8,228,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,228,378</u>

THE FOUNDATION FOR THE MALCOLM BALDRIGE
NATIONAL QUALITY AWARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of unconditional promises to give. The Foundation recognized an allowance for doubtful accounts based on all accounts past due over one year. Under this method, all uncollectible accounts are charged to expense during the year in which the account is declared uncollectible by management. The utilization of this method, although not in conformity with generally accepted accounting principles, does not have a material effect on the accompanying financial statements.

Bad debt expense totaled \$-0- for the years ended September 30, 2016 and 2015.

Present value of contributions receivable as of September 30, 2016 and 2015 are:

	<u>2016</u>	<u>2015</u>
Less Than One Year	\$ 72,500	\$ 91,505
One Year to Five Years	113,500	102,000
Six Years to Eight Years	<u>5,000</u>	<u>7,500</u>
	191,000	201,005
Less Allowance for Doubtful Accounts	-	-
Total Contributions Receivable	<u><u>\$ 191,000</u></u>	<u><u>\$ 201,005</u></u>

Reconciliation to Exhibit A

Current Assets

Unconditional Promises to Give \$ 72,500

Other Assets

Unconditional Promises to Give 118,500
\$ 191,000

NOTE 4. CONCENTRATION OF CREDIT RISK

At September 30, 2016, the carrying amount of the Foundation's deposits totaled \$429,103, and bank balances totaled \$443,903 at several banks. All accounts are covered up to \$250,000 regardless whether interest or non-interest bearing. Of the bank balances, \$379,894 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$64,009 was uncollateralized.

Other financial instruments which potentially expose the Foundation to concentrations of credit risk are accounts receivable. Management believes that losses realized on amounts outstanding at year end will be immaterial. Accordingly, accounts receivable are reported at the amount of principal outstanding.

THE FOUNDATION FOR THE MALCOLM BALDRIGE
NATIONAL QUALITY AWARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5. INTANGIBLE ASSETS

Effective November 18, 2008, the Foundation purchased a five-year license to operate certain specialized software for \$110,000. The cost was capitalized and amortized over a five-year period on a straight-line basis. Amortization expense totaled \$-0- for the years ended September 30, 2016 and 2015. As of September 30, 2016 and 2015, the intangible asset is not reflected on the financial statement as it is fully amortized.

NOTE 6. DEFERRED REVENUE

During the 2013 fiscal year, the Foundation, as an agent, received a \$1,000,000 gift. The gift is to be used as an incentive for the first K-12 public school district in the State of Missouri to receive the Malcolm Baldrige National Quality Award. If a school district does receive the award, the Foundation will remit the \$1,000,000 to the district. If a district does not receive the award by December 31, 2023, the gift will become a contribution and the Foundation may use the full amount at its discretion.

NOTE 7. DESIGNATED NET ASSETS

During the year, the Foundation made a commitment to continue its Performance Excellence Program through 2016. Accordingly, the Foundation has designated the following amount of its net assets as of September 30, 2016.

<u>Year Ended</u>	<u>Amount</u>
2016	<u>\$ 2,500,000</u>

NOTE 8. TEMPORARILTY RESTRICTED NET ASSETS

Temporarily restricted assets are available for the following purpose:

	<u>Year Ended</u>	
	<u>2016</u>	<u>2015</u>
Unconditional Promises to Give	<u>\$ 118,500</u>	<u>\$ 109,500</u>

THE FOUNDATION FOR THE MALCOLM BALDRIGE
NATIONAL QUALITY AWARD, INC.
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
GENERAL AND ADMINISTRATIVE EXPENSES:		
Salary	\$ 225,318	\$ -
Taxes	9,274	-
Payroll - Employee Benefits	10,910	-
State Registration Fees	-	3,000
Audit Fees	9,100	8,800
Banking Fees	397	860
Office Expenses	28,382	10,306
Internet Web Hosting	2,755	6,135
Professional Fees	30,504	29,497
Consultant	130,000	60,000
Administrative Travel	6,192	-
Board Member Business Expense	1,005	1,207
Board Member Travel and Meetings	69,626	43,383
Insurance	2,723	3,073
Miscellaneous	2,110	3,510
Total	<u>\$ 528,296</u>	<u>\$ 169,771</u>

THE FOUNDATION FOR THE MALCOLM BALDRIGE
NATIONAL QUALITY AWARD, INC.
SCHEDULES OF FUNDRAISING EXPENSES
YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
FUNDRAISING EXPENSES:		
Salary	\$ 350,772	\$ 364,647
Taxes	27,790	27,822
Payroll - Employee Benefits	16,926	14,040
Consulting Expense	8,699	96,060
Contract Expense	16,200	4,478
Travel Expenses	24,000	28,650
Staff Recruiting	21,036	-
Fundraising Events	75,006	-
State Registration Fees	18,344	-
Internet Web Hosting	12,969	-
Office Expenses	12,241	-
Total	<u>\$ 583,983</u>	<u>\$ 535,697</u>

THE FOUNDATION FOR THE MALCOLM BALDRIGE
NATIONAL QUALITY AWARD, INC.
SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES
SEPTEMBER 30, 2016

	<u>Shares</u>	<u>Cost</u>	<u>Fair Value</u>
Money Market Accounts		<u>\$ 126,869</u>	<u>\$ 126,869</u>
Mutual Funds			
Vanguard Wellesley	42,625.6280	2,681,625 *	2,698,202
Vanguard Short Term Investment Grade Fund	139,127.2770	1,495,626 *	1,499,792
Total Mutual Funds		<u>4,177,251</u>	<u>4,197,994</u>
Total Investments		<u>\$ 4,304,120</u>	<u>\$ 4,324,863</u>

* Investments indicated above represent 5% or more of assets held for investment purposes.