



# **2017 ANNUAL REPORT**

The Foundation for  
the Malcolm Baldrige National Quality Award



“Throughout the federal government and with members of Congress, we are building strategic partnerships where none had previously existed to expand support for the Baldrige Performance Excellence Program.”

# The Year in Review

by Al Faber  
President and CEO, Baldrige Foundation

As President and CEO of the Foundation for the Malcolm Baldrige National Quality Award, it is an honor for me to introduce the inaugural *Journal of Performance Excellence*, celebrating the achievements of the Baldrige Enterprise during fiscal year 2017.

To all our stakeholders throughout the Enterprise, congratulations on a year filled with achievement, progress, and performance excellence! Examiners, judges, and volunteers at the state and national level and around the globe have contributed to the success and prosperity of thousands of organizations in every sector of the economy. The Alliance for Performance Excellence continues to introduce Baldrige to hundreds of organizations, while the Baldrige consultant community passionately develops and guides Baldrige organizations and serve as champions and ambassadors throughout the nation for our program.

In 2017, the Baldrige Foundation continued to fund the Baldrige Performance Excellence Program at the National Institute of Standards and Technology (NIST). The Baldrige Program's mission is precisely aligned with NIST and the Department of Commerce. This public-private partnership, which improves the performance and competitiveness of U.S. organizations, has an economic impact of more than one billion-dollars annually. The Baldrige Program had a very successful year in 2017, executing the awards process and delivering exceptional training experiences like the Baldrige Executive Fellows Program and examiner training. In FY17, the Baldrige Executive Fellows Program and several other training offerings were ranked first and fourth, respectively, by Leadership Excellence and Development Awards (LEAD) in their education categories for emphasis on human resources and leadership/organizational development. The Baldrige Program is the only state or federal government program to be recognized in LEAD Award categories.

This year, more than twenty high-performing organizations met the requirements to be considered for the Malcolm Baldrige National Quality Award. After an arduous awards process, this year's national role-model award recipients are:

- Bristol Tennessee Essential Services, Bristol, TN
- Stellar Solutions, Palo Alto, CA
- Adventist Health Castle, Kailua, HI
- Southcentral Foundation, Anchorage, AK
- City of Fort Collins, Fort Collins, CO

We congratulate each of them for their stellar, role-model performance and commitment. They have achieved the pinnacle of organizational performance excellence and will be recognized with the Malcolm Baldrige National Quality

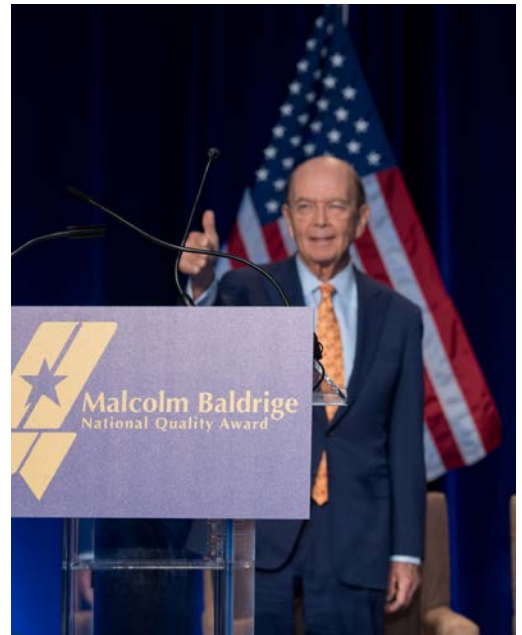
Award, the only award for quality presented on behalf of the President of the United States of America and which carries the Presidential Seal.

## ADVOCACY

With the new administration there is enormous potential for support and growth. The President has focused on transforming government and growing the economy, and the Foundation has been working tirelessly with all federal agencies and Congress to show where Baldrige can help.

Secretary of Commerce Wilbur Ross presided over his first Baldrige Award ceremony in April 2017, and in his remarks, he recognized the \$1 billion contribution Baldrige makes to the American economy annually. Prior to his remarks, he congratulated each team of award recipients while taking official photographs, and talked about his enthusiasm for the Baldrige program, and what it represents.

In September, I attended the confirmation hearing of the new Under Secretary of Commerce and NIST Director, Dr. Walter Copan. I was proud to have the opportunity to show our support for him during this process. Once he was confirmed, I invited Dr. Copan to attend the next Foundation Board meeting in November and he graciously accepted. All of our board



*Secretary of Commerce Wilbur Ross takes the podium at the 29th Annual Malcolm Baldrige National Quality Awards presentation ceremony, April 2, 2017.*

members were thrilled to introduce themselves and share their insights and experience with the new Director. Equally excited, Dr. Copan expressed his admiration for the Foundation's mission and support of the Baldrige Program. He re-affirmed his commitment to performance excellence and vowed his personal support as an ambassador for Baldrige and the Foundation. We have a true leader and champion in Dr. Copan and look forward to working with him to restore the federal government's support for the Baldrige Program.

We have also had the privilege of working with members of the House and Senate Commerce, Justice, Science and related Agencies (CJS) Subcommittees to restore federal funding for the Baldrige Program. Many in both chambers, and on both sides of the aisle, have shown their willingness to help. In particular, we must thank Senators Richard Shelby of Alabama and Jeanne Shaheen of New Hampshire for their support in the Senate. Together, they crafted a Senate



*Confirmation hearing for Dr. Walter Copan.*

Subcommittee recommendation for \$2.2 million for the Baldrige Program in FY18. As of this publication we are awaiting final approval of the FY18 Budget.

The Foundation has worked with many other members of Congress, including Senator Shelley Moore Capito of West Virginia. Senator Capito is the first member of Congress to attend a national awards ceremony in recent memory, supporting Charleston Area Medical Center from West Virginia. Congressman Sam Graves from Missouri worked with us and submitted convincing written testimony to the House CJS Subcommittee in support of Baldrige and the positive impact it has made in his district.



*Baldrige Foundation President and CEO Al Faber (left) with Dr. Walter Copan, Under Secretary of Commerce for Standards and Technology and Director of the National Institute of Standards and Technology.*

In addition to the new administration and Congress, the Foundation has reached out and met with the secretaries of federal agencies to gain support for Baldrige and to partner with them to make Baldrige resources available within their own departments and to those whom

they serve throughout the nation. We recently met with cabinet leaders and their staffs, including Dr. Ben Carson at Housing and Urban Development (HUD); Dr. David Shulkin, Veterans Administration; Elaine Chao, Transportation; Sonny Purdue, USDA; Linda McMahon, Small Business Administration; Betsy DeVos, Department of Education, and many others.

Throughout the federal government and with members of Congress, we are building strategic partnerships where none had previously existed to expand support for the Baldrige Performance Excellence Program. As an example, I recently had the opportunity to sit on a panel at USDA to offer advice to their senior leadership on the important role the Community of Excellence 2026 Framework can play in developing strategies to revitalize rural communities and regions. Our effort may eventually lead to a grant from USDA for several COE2026 pilot regions.

## FUNDRAISING

During 2017, the Baldrige Foundation continued its transformation into a more successful and sustainable fundraising organization and advocate for the Baldrige Program. For the first time in its history, the Foundation achieved Platinum Status in GuideStar®, the world's largest source of information on nonprofit charitable organizations, and was again listed in the U.S. Government's Combined Federal Campaign (CFC) for eligible charities. Both organizations recognize the important work of the Foundation and its impact in all sectors of the economy. I was also invited to serve as the keynote for the CFC kick-off event at the U.S. Department of Commerce (DOC).







*Foundation President and CEO Al Faber presents a commendation to Molly Baldrige, daughter of the late Secretary Malcolm Baldrige, for her work in support of the Baldrige Enterprise.*

## PROMOTING PERFORMANCE EXCELLENCE

An important part of the Foundation's mission is promoting performance excellence in the U.S. and throughout the world. Earlier in the year I was hosted by Tata Sons to serve as a keynote for their annual quality conference in Delhi, India, and along with fellow keynote, Molly Baldrige, witnessed first-hand how Baldrige can drive organizational performance across a mega-corporation and all its subsidiaries.

Lifetime Foundation Board Member David Spong and the California state program Board Chair, Denise Shields, invited me to speak at their annual California Leadership Symposium. This innovative program brings leaders together from all sectors of the economy to network and share their leadership experiences. The program was an excellent venue with many state and national award recipients attending. Everyone found it to be a very professional, enriching experience.

I had the opportunity, along with fellow Board Member Paul Worstell, to visit Larry Potterfield and his team at MidwayUSA, a two-time national Baldrige Award recipient and proud claimant of the title, "purest Baldrige colony on the planet." Paul and I were thoroughly impressed at the level of deployment MidwayUSA has achieved with all its employees and their long-term commitment to the Baldrige process. Our Board Chair, Dr. George Benson, and I met with Tom Donohue and his team at the U.S. Chamber of Commerce and discussed the many benefits of Baldrige and how the Chamber could help us promote the framework with U.S. businesses and assist us in advocacy on Capitol Hill.

The Foundation's social media presence continues to grow as part of our overall communication strategy.

This was a wonderful opportunity to highlight to the NIST and DOC leadership and employees the important contributions the Baldrige Program makes in support of the department's mission.

We also took over the responsibility of Quest for Excellence® sponsorships in FY17, and scaled-up revenue by more than 300 percent over the previous five-year average. We developed major sponsorship opportunities like the Ford Motor Company's sponsorship of the 2016 MBNQA Ceremony, Cisco Systems sponsorship of the first Cybersecurity Workshop, Lilly USA, and others. We also grew new channel partnerships with Walden University, Beyond Feedback, The Synergy Organization, and Amazon Smiles.

This year, we developed a Planned Giving Program to attract legacy gifts and targeted giving opportunities like the Reimann Baldrige Scholarship Fund. We continue to cultivate major gifts and strengthen corporate and individual giving to include online donations as part of national campaigns like #GivingTuesday®.

Google awarded a \$120,000 grant to the Foundation to expand our online reach and audience, while IBM awarded a communication strategy services grant in the amount of \$68,000 to help build a comprehensive communications plan.

During this fiscal year we developed and implemented three new award categories to complement our existing awards. The E. David Spong Lifetime Achievement Award recognizes senior leaders who have made a sustained contribution to quality and Baldrige. Leadership Excellence Awards recognize leaders in all sectors of the economy that have demonstrated their support of the Foundation and its mission. The consultant

community, led by Lori Kirkland, has contributed to establish the Dr. Curt Reimann Baldrige Scholarship to inspire graduate students and provide recipients the opportunity to attend Baldrige Examiner Training. This is a worthwhile investment in our future leaders in honor of Curt's service and visionary leadership in helping to start the Baldrige program in 1987.

In summary, FY17 proved to be very successful for the Baldrige Program, Foundation, ASQ, and the Alliance programs. With a clear sense of purpose, mission, and strategy, we continue to grow fundraising operations and increase awareness through advocacy. The Foundation's operating costs remained under budget, demonstrating our responsible stewardship of the Foundation's endowment and commitment to sustainability.

On behalf of the Foundation's Board of Directors and staff, I wish to once again thank all of the dedicated men and women across America who volunteer and continue to support this great program that keeps our nation on the leading edge of validated management best practices, and competitive in the global economy, returning enormous benefit to all U.S. citizens.

After three decades, Baldrige continues to be *America's Best Investment!*

Sincerely,



Al Faber  
President and CEO



Baldrige Foundation President and CEO Al Faber delivers a keynote address to the Tata Sons enterprise-wide quality conference in Delhi, India.



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

**ANNUAL FINANCIAL REPORT**

**YEARS ENDED SEPTEMBER 30, 2017 AND 2016**



THE FOUNDATION FOR THE MALCOLM BALDRIGE  
NATIONAL QUALITY AWARD, INC.  
(A NONPROFIT DELWARE ORGANIZATION)  
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THE FOUNDATION FOR THE MALCOLM BALDRIGE  
NATIONAL QUALITY AWARD, INC.

SEPTEMBER 30, 2017

BOARD OF DIRECTORS

George Benson, Chairman

Kathryn Eggleston, Vice Chairman

Frank Fusco, Treasurer

Paul Worstell, Secretary

David Gifford

Lowell Kruse

Terry May

Scott McIntyre

Sunil Sinha

David Spong

Debbie Collard

Tony Scott

Todd McQueston

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, 2017 and 2016, 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.

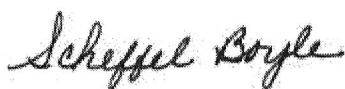
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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, 2017 and 2016, 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 21, 2018

THE FOUNDATION FOR THE MALCOLM BALDRIGE  
NATIONAL QUALITY AWARD, INC.  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2017 AND 2016

ASSETS	2017	2016
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 259,138	\$ 302,234
Unconditional Promises to Give	413,253	72,500
Prepaid Expenses	25,305	-
Investments		
Money Market Accounts	677,754	126,869
Certificates of Deposit	1,660,584	-
Mutual Funds	757,791	4,197,994
Total Investments	3,096,129	4,324,863
Total Current Assets	3,793,825	4,699,597
OTHER ASSETS:		
Security Deposit	2,587	-
Unconditional Promises to Give	168,380	118,500
Total Other Assets	170,967	118,500
TOTAL ASSETS	\$ 3,964,792	\$ 4,818,097
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 13,006	\$ 24,002
Deferred Revenue	1,000,000	1,000,000
Total Current Liabilities	1,013,006	1,024,002
NET ASSETS:		
Temporarily Restricted	168,380	118,500
Unrestricted		
Designated	500,000	2,500,000
Undesignated	2,283,406	1,175,595
Total Net Assets	2,951,786	3,794,095
TOTAL LIABILITIES AND NET ASSETS	\$ 3,964,792	\$ 4,818,097

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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS:		
Revenues and Gains		
Investment Income		
Interest Income	\$ 99	\$ 110
Dividends and Interest on Investments	74,500	240,576
Gains		
Realized	24,913	-
Unrealized	-	282,857
Total Investment Income	<u>99,512</u>	<u>523,543</u>
Conference Fees and Charges		
Quest Income	-	15,203
ASQ Summary of Funds	304,400	500,000
Total Conference Fees and Charges	<u>304,400</u>	<u>515,203</u>
Fundraising Income	1,211,908	133,231
In-Kind Donations	51,840	100,447
Miscellaneous	19,443	12,680
Total Unrestricted Revenues and Gains	<u>1,587,591</u>	<u>761,561</u>
Net Assets Released From Restrictions	<u>-</u>	<u>-</u>
Total Unrestricted Revenues, Gains and Other Support	<u>1,687,103</u>	<u>1,285,104</u>
Expenses and Losses		
Program Services		
Award Expenses		
Process Management and Support	1,400,000	4,000,000
Marketing	19,123	68,000
Harry Hertz Award	8,561	15,241
David Spong Award	4,420	-
Regional Conferences	33,276	27,422
Leadership Excellence Awards	14,012	-
Total Program Services	<u>1,479,392</u>	<u>4,110,663</u>

THE FOUNDATION FOR THE MALCOLM BALDRIGE  
NATIONAL QUALITY AWARD, INC.  
STATEMENTS OF ACTIVITIES AND  
CHANGES IN NET ASSETS  
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS (CONT'D):		
Expenses and Losses (cont'd)		
Supporting Services		
General and Administrative - Schedule 1	628,752	528,296
Fundraising - Schedule 2	470,459	583,983
Total Supporting Services	<u>1,099,211</u>	<u>1,112,279</u>
Total Expenses	<u>2,578,603</u>	<u>5,222,942</u>
Losses on Investments		
Realized	-	27,426
Unrealized	689	-
Total Losses on Investments	<u>689</u>	<u>27,426</u>
Total Expenses and Losses	<u>2,579,292</u>	<u>5,250,368</u>
(Decrease) in Unrestricted Net Assets	<u>(892,189)</u>	<u>(3,965,264)</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	49,880	9,000
Net Assets Released From Restrictions	-	-
Increase in Temporarily Restricted Net Assets	<u>49,880</u>	<u>9,000</u>
(Decrease) in Net Assets	(842,309)	(3,956,264)
NET ASSETS, BEGINNING OF YEAR	<u>3,794,095</u>	<u>7,750,359</u>
NET ASSETS, END OF YEAR	<u>\$ 2,951,786</u>	<u>\$ 3,794,095</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Decrease) in Net Assets	<u>\$ (842,309)</u>	<u>\$ (3,956,264)</u>
Adjustments to Reconcile Increase		
(Decrease) in Net Assets to Net Cash		
Provided (Used) by Operating Activities		
Net Unrealized and Realized (Gain) Loss		
on Investments	(24,224)	(255,431)
Changes in Assets and Liabilities		
(Increase) Decrease in Operating Assets		
Unconditional Promises to Give	(390,633)	10,005
Prepaid Expenses	(25,305)	-
Security Deposit	(2,587)	-
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(10,996)	12,207
Total Adjustments	<u>(453,745)</u>	<u>(233,219)</u>
Net Cash (Used) by		
Operating Activities	<u>(1,296,054)</u>	<u>(4,189,483)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds From Sale of Investments	3,693,380	4,158,946
Purchase of Investments	<u>(2,440,422)</u>	<u>-</u>
Net Cash Provided		
by Investing Activities	<u>1,252,958</u>	<u>4,158,946</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
None	<u>-</u>	<u>-</u>
Net (Decrease) Cash and Cash Equivalents	(43,096)	(30,537)
Cash and Cash Equivalents, Beginning of Year	<u>302,234</u>	<u>332,771</u>
CASH AND CASH EQUIVALENTS,		
END OF YEAR	<u><u>\$ 259,138</u></u>	<u><u>\$ 302,234</u></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, 2017

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, 2017 and 2016, cash and cash equivalents were maintained in bank checking accounts.

Investments

Investments are stated at fair value.

The Foundation revised its investment policy in July 2017. The policy states that investment of funds shall be limited to individual marketable securities or common investment pools (for example mutual funds or unit investment trusts) in the following categories of cash and cash equivalents, domestic and international fixed income, domestic and international equities including emerging markets equities, floating rate corporate loans, high yield fixed income, and alternative investment 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, 2017

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 \$51,840 and \$100,447 in donated services for various professional services and donated board member travel during the years ended September 30, 2017 and 2016, respectively.

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

THE FOUNDATION FOR THE MALCOLM BALDRIGE  
NATIONAL QUALITY AWARD, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

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

Program Expenses (cont'd)

Foundation. Management does not believe this recording of expenses varies significantly from generally accepted accounting principles.

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, 2015 through September 30, 2017. The tax return for the year ended September 30, 2017 will be filed subsequent to the date of this report. As of September 30, 2017, 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, 2017.

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.

THE FOUNDATION FOR THE MALCOLM BALDRIGE  
NATIONAL QUALITY AWARD, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

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

Basis of Presentation (cont'd)

A description of the three net asset categories follows:

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.

NOTE 2. INVESTMENTS

Investments are stated at fair value, which is based on quoted market prices at September 30, 2017 and 2016. Investments as of September 30, 2017 and 2016 are comprised of the following:

	September 30, 2017		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money Market Accounts	\$ 677,754	\$ 677,754	\$ -
Certificates of Deposit	1,660,000	1,660,584	584
Mutual Funds	738,321	757,791	19,470
	<u>\$ 3,076,075</u>	<u>\$ 3,096,129</u>	<u>20,054</u>
Prior Unrealized Appreciation (Depreciation)			20,743
Unrealized Gain (Loss) on Investments			<u>\$ (689)</u>



THE FOUNDATION FOR THE MALCOLM BALDRIGE  
NATIONAL QUALITY AWARD, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

NOTE 2. INVESTMENTS (CONT'D)

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

Investment income and realized and unrealized gains and losses are included in the changes in net assets and for the years ended September 30, 2017 and 2016 consist of:

	<u>2017</u>	<u>2016</u>
Dividends and Interest on Investments	\$ 74,500	\$ 240,576
Interest on Money Market Accounts	99	110
Gains and (Losses)		
Realized	24,913	(27,426)
Unrealized	(689)	282,857
Total Investment Income	<u>\$ 98,823</u>	<u>\$ 496,117</u>

The below is presented per Exhibit "B".

	<u>2017</u>	<u>2016</u>
Investment Income	\$ 99,512	\$ 523,543
Losses on Investments	(689)	(27,426)
Total Investment Income	<u>\$ 98,823</u>	<u>\$ 496,117</u>

Fair Value Measurements

FASB Codification Topic 820 Fair Value Measurements and Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs

THE FOUNDATION FOR THE MALCOLM BALDRIGE  
NATIONAL QUALITY AWARD, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

NOTE 2. INVESTMENTS (CONT'D)

Fair Value Measurements (cont'd)

consist of observable inputs other than quoted prices for identical assets. Level 3 inputs are unobservable and have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs would be used only when Level 1 inputs are not available. There have been no changes in methodologies used at September 30, 2017 and 2016.

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, 2017 and 2016:

	<u>Assets at Fair Value as of September 30, 2017</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money Market Accounts	<u>\$ 677,754</u>	<u>\$ -</u>	<u>\$ 677,754</u>
Certificates of Deposit	<u>-</u>	<u>1,660,584</u>	<u>1,660,584</u>
Mutual Funds			
Large Company	<u>757,791</u>	<u>-</u>	<u>757,791</u>
Total Mutual Funds	<u>757,791</u>	<u>-</u>	<u>757,791</u>
Total	<u>\$ 1,435,545</u>	<u>\$ 1,660,584</u>	<u>\$ 3,096,129</u>

	<u>Assets at Fair Value as of September 30, 2016</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money Market Accounts	<u>\$ 126,869</u>	<u>\$ -</u>	<u>\$ 126,869</u>
Mutual Funds			
Large Company	<u>2,698,202</u>	<u>-</u>	<u>2,698,202</u>
Fixed Income	<u>1,499,792</u>	<u>-</u>	<u>1,499,792</u>
Total Mutual Funds	<u>4,197,994</u>	<u>-</u>	<u>4,197,994</u>
Total	<u>\$ 4,324,863</u>	<u>\$ -</u>	<u>\$ 4,324,863</u>

THE FOUNDATION FOR THE MALCOLM BALDRIGE  
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NOTE 2. INVESTMENTS (CONT'D)

Fair Value Measurements (cont'd)

Level 1 Fair Value Measurements

The fair values of mutual funds and money market funds are based on quoted market prices.

Level 2 Fair Value Measurements

The fair values of certificates of deposit for which quoted market prices are not available are based on quoted market prices for similar assets in markets that are not active.

NOTE 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of unconditional promises to give. The Foundation follows the practice of writing off uncollectible accounts as they are incurred. There is no allowance for uncollectible accounts reflected in the balance sheet. Management's opinion is that no allowance is necessary.

Bad debt expense totaled \$1,000 and \$-0- for the years ended September 30, 2017 and 2016, respectively.

Present value of contributions receivable as of September 30, 2017 and 2016 are:

	<u>2017</u>	<u>2016</u>
Less Than One Year	\$ 413,253	\$ 72,500
One Year to Five Years	168,380	113,500
Six Years to Eight Years	-	5,000
	<u>581,633</u>	<u>191,000</u>
Less Allowance for Doubtful Accounts	-	-
Total Contributions Receivable	<u><u>\$ 581,633</u></u>	<u><u>\$ 191,000</u></u>

Reconciliation to Exhibit "A"

Current Assets

Unconditional Promises to Give \$ 413,253

Other Assets

Unconditional Promises to Give 168,380  
\$ 581,633

THE FOUNDATION FOR THE MALCOLM BALDRIGE  
NATIONAL QUALITY AWARD, INC.  
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NOTE 4. CONCENTRATION OF CREDIT RISK

At September 30, 2017, the carrying amount of the Foundation's deposits totaled \$259,138, and bank balances totaled \$266,832 at several banks. All accounts are covered up to \$250,000 regardless whether interest or non-interest bearing. Of the bank balances, \$255,049 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$11,783 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.

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, 2017 and 2016. As of September 30, 2017 and 2016, 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 2018. Accordingly, the Foundation has designated the following amount of its net assets as of September 30, 2017.

<u>Year Ended</u>	<u>Amount</u>
2017	<u><u>\$ 500,000</u></u>

THE FOUNDATION FOR THE MALCOLM BALDRIGE  
NATIONAL QUALITY AWARD, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

NOTE 8. TEMPORARILTY RESTRICTED NET ASSETS

Temporarily restricted assets are available for the following purpose:

	Year Ended	
	2017	2016
Unconditional Promises to Give	<u>\$ 168,380</u>	<u>\$ 118,500</u>

NOTE 9. SUBSEQUENT EVENTS

Operating Lease

During the year, the Foundation signed an operating lease for office space. The lease is a three year lease starting November 1, 2017.

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.



THE FOUNDATION FOR THE MALCOLM BALDRIGE  
NATIONAL QUALITY AWARD, INC.  
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES  
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
GENERAL AND ADMINISTRATIVE EXPENSES:		
Salary	\$ 234,887	\$ 225,318
Taxes	9,105	9,274
Payroll - Employee Benefits	10,508	10,910
Audit Fees	9,300	9,100
Banking Fees	413	397
Office Expenses	60,193	28,382
Internet Web Hosting	344	2,755
Professional Fees	7,386	30,504
Consultant	192,592	130,000
Administrative Travel	7,075	6,192
Board Member Business Expense	1,283	1,005
Board Member Travel and Meetings	91,131	69,626
Insurance	3,220	2,723
Bad Debt Expense	1,000	-
Miscellaneous	315	2,110
	<u>          </u>	<u>          </u>
Total	<u>\$ 628,752</u>	<u>\$ 528,296</u>

THE FOUNDATION FOR THE MALCOLM BALDRIGE  
NATIONAL QUALITY AWARD, INC.  
SCHEDULES OF FUNDRAISING EXPENSES  
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
FUNDRAISING EXPENSES:		
Salary	\$ 309,948	\$ 350,772
Taxes	24,890	27,790
Payroll - Employee Benefits	13,892	16,926
Consulting Expense	10,529	8,699
Contract Expense	27,217	16,200
Travel Expenses	33,378	24,000
Staff Recruiting	2,073	21,036
Fundraising Events	8,051	75,006
Marketing	11,986	-
State Registration Fees	10,102	18,344
Internet Web Hosting	10,504	12,969
Office Expenses	<u>7,889</u>	<u>12,241</u>
Total	<u><u>\$ 470,459</u></u>	<u><u>\$ 583,983</u></u>

THE FOUNDATION FOR THE MALCOLM BALDRIGE  
NATIONAL QUALITY AWARD, INC.  
SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES  
SEPTEMBER 30, 2017

		Cost		Fair Value
		\$ 677,754	*	\$ 677,754
<hr/>				
Money Market Accounts				
<hr/>				
Certificates of Deposit				
First National Bank	1.35%, due 1/29/18	235,000	*	235,190
Morgan Stanley	1.35%, due 1/29/18	115,000		115,093
BankUnited	1.45%, due 4/20/18	185,000	*	185,062
Bank of China	1.40%, due 1/22/18	235,000	*	235,215
Compass Bank	1.35%, due 1/22/18	165,000	*	165,126
Bank of the West	1.40%, due 4/23/18	200,000	*	200,120
Bank Hapoalim	1.45%, due 7/20/18	235,000	*	234,941
MB Financial Bank	1.45%, due 8/28/18	55,000		54,949
Wells Fargo Bank	1.50%, due 8/28/18	235,000	*	234,888
Total Certificates of Deposit		<u>1,660,000</u>		<u>1,660,584</u>
<hr/>				
Mutual Funds				
Vanguard Wellesley	11,735.955 shares	738,321	*	757,791
Total Mutual Funds		<u>738,321</u>		<u>757,791</u>
<hr/>				
Total Investments		<u>\$ 3,076,075</u>		<u>\$ 3,096,129</u>

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