Project Management Institute Educational Foundation

Financial Report
December 31, 2015

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Independent Auditor's Report

To the Board of Directors
Project Management Institute Educational Foundation
Newtown Square, Pennsylvania

Report on the Financial Statements
We have audited the accompanying financial statements of Project Management Institute Educational Foundation, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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 2015 financial statements referred to above present fairly, in all material respects, the financial position of Project Management Institute Educational Foundation as of December 31, 2015 and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter – 2014 Financial Statements
The financial statements of Project Management Institute Educational Foundation as of and for the year ended December 31, 2014, were audited by Wipfli LLP whose report dated April 8, 2015, expressed an unmodified opinion on those statements.

RSM US LLP

Blue Bell, Pennsylvania
April 26, 2016

Project Management Institute Educational Foundation

Statements of Financial Position
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	$ 69,365	$ 259,218
Cash and cash equivalents restricted for endowment	115,536	214,207
Investments	2,586,307	2,022,008
Accounts receivable - Project Management Institute	-	66,740
Promises to give - net of discount	37,293	43,827
Prepaid expenses	14,158	11,250
Website development - net of accumulated amortization of $169,633 and $72,700, respectively	121,167	218,100
Computer software - net of accumulated amortization of $30,842 and $13,218, respectively	207,029	39,653
Total assets	$ 3,150,855	$ 2,875,003
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 34,246	$ 116,106
Grants payable	488,670	796,641
Total liabilities	522,916	912,747
Net assets:		
Unrestricted net assets (deficiency)	(629,322)	(422,916)
Temporarily restricted net assets	892,947	532,437
Permanently restricted net assets	2,364,314	1,852,735
Total net assets	2,627,939	1,962,256
Total liabilities and net assets	$ 3,150,855	$ 2,875,003

See notes to financial statements.

Project Management Institute Educational Foundation

Statement of Activities
Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Contributions	$ 2,896,909	$ 1,912,129	$ 511,579	$ 5,320,617
Interest and dividend income	11,234	101,738	-	112,972
Net realized and unrealized losses on investments	(15,594)	(152,572)	-	(168,166)
Net assets released from restriction	1,500,785	(1,500,785)	-	-
Total support and revenues	4,393,334	360,510	511,579	5,265,423
Expenses:				
Accounting	31,900	-	-	31,900
Amortization	114,557	-	-	114,557
Awards/scholarships	507,208	-	-	507,208
Consultant fees	726,839	-	-	726,839
Grants	1,327,543	-	-	1,327,543
Management fee	1,453,121	-	-	1,453,121
Marketing/promotion	4,285	-	-	4,285
Office supplies	85,753	-	-	85,753
Printing and copying	12,074	-	-	12,074
State registration fees	11,976	-	-	11,976
Travel and meetings	322,284	-	-	322,284
Uncollectible pledges	2,200			2,200
Total expenses	4,599,740	-	-	4,599,740
Change in net assets	(206,406)	360,510	511,579	665,683
Net assets at beginning of year	(422,916)	532,437	1,852,735	1,962,256
Net assets at end of year	$ (629,322)	$ 892,947	$ 2,364,314	$ 2,627,939

See notes to financial statements.

Project Management Institute Educational Foundation

Statement of Activities
Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Contributions	$ 2,973,722	$ 1,142,302	$ 74,802	$ 4,190,826
Recovery of uncollectible losses	-	22,438	22,314	44,752
Interest and dividend income	9,858	83,962	-	93,820
Net realized and unrealized gains on investments	604	12,362	-	12,966
Net assets released from restriction	1,221,965	(1,221,965)	-	-
Total support and revenues	4,206,149	39,099	97,116	4,342,364
Expenses:				
Accounting	25,470	-	-	25,470
Amortization	85,918	-	-	85,918
Awards/scholarships	498,036	-	-	498,036
Consultant fees	700,079	-	-	700,079
Grants	1,246,957	-	-	1,246,957
Management fee	1,331,617	-	-	1,331,617
Marketing/promotion	30,448	-	-	30,448
Office supplies	167,740	-	-	167,740
Printing and copying	10,382	-	-	10,382
State registration fees	7,997	-	-	7,997
Travel and meetings	389,705	-	-	389,705
Total expenses	4,494,349	-	-	4,494,349
Change in net assets	(288,200)	39,099	97,116	(151,985)
Net assets at beginning of year	(134,716)	493,338	1,755,619	2,114,241
Net assets at end of year	$ (422,916)	$ 532,437	$ 1,852,735	$ 1,962,256

See notes to financial statements.

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Project Management Institute Educational Foundation

Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from financing activities:		
Change in net assets	$ 665,683	$ (151,985)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Amortization	114,557	85,918
Losses (gains) on sales of investments	44,030	(36,288)
Uncollectible pledges	2,200	-
Recovery of uncollectible losses	-	(22,438)
Amortization of pledge discount	(772)	(2,060)
Unconditional promises to give restricted for long-term purposes	-	(22,314)
Change in unrealized losses on investments	124,136	23,322
Contributions restricted for endowment	(511,579)	(72,742)
(Increase) decrease in assets:		
Accounts receivable - Project Management Institute	66,740	(66,740)
Promises to give	(4,894)	22,920
Prepaid expenses	(2,908)	-
Increase (decrease) in liabilities:		
Accounts payable	(81,860)	(126,312)
Grants payable	(307,971)	354,335
Net cash provided by (used in) operating activities	107,362	(14,384)
Cash flows from investing activities:		
Purchase of investments	(1,258,149)	(856,740)
Proceeds from sale of investments	525,684	751,730
Purchases of computer software	(185,000)	(52,871)
Website development	-	(35,000)
Net cash used in investing activities	(917,465)	(192,881)
Cash flows from financing activities:		
Proceeds from contributions restricted for endowment	521,579	151,140
Net cash provided by financing activities	521,579	151,140
Net change in cash and cash equivalents	(288,524)	(56,125)
Cash and cash equivalents:		
Beginning of year	473,425	529,550
End of year	$ 184,901	$ 473,425

See notes to financial statements.

Note 1. Organization and Significant Accounting Policies

Nature of organization: Project Management Institute Educational Foundation (Foundation) is organized and operated exclusively as an independent nonprofit charitable “supporting organization” of Project Management Institute (PMI) within the meaning of Section 501(c)(3) and Section 509(a)(3) of the United States of America Internal Revenue Code. The Foundation carries out the charitable purposes of PMI and fosters project management research, education and application throughout society on a global basis by providing educational resources, grants, scholarships and awards.

The Foundation’s program activities are as follows:

Integrate Project Management and Project-Centered Education into K through 12 Curricula (Vision Driven Program)
Launched in 2012, the Vision Driven Program initially focused on getting project management and project-centered education integrated into the curricula for 13- to 19-year-old students globally. It is the cornerstone initiative of the Foundation’s programs and activities and is being used as the laboratory in which the Foundation continues to build and invest in distinctive capabilities. As the Vision Driven Program shifts focus from pilot to scaling globally, the original focus on secondary education (13- to 19-year-olds) will be extended into primary education.

Through early program learnings, it has become apparent that teachers need to be educated and trained in project management and project-centered education in order to most effectively educate their students. In addition to teachers, administrators also benefit and improve the student experience through education in project management knowledge and application.

Disaster Management
Project management professionals believe that improving response in future times of need can be accomplished through providing project management training to front-line disaster relief personnel and improving the project management maturity of humanitarian and other non-governmental organizations so that they may use their limited resources more efficiently and effectively.

The Foundation has begun an exploratory process to determine how to strategically invest in the field of disaster management for the long term. To date, steps to explore this field of work include establishing experimental grants to test the value of project management training and, depending on the success of these grants, next steps for consideration may include badging, localization of project management materials, roles for volunteers, and new materials specific to the needs of the disaster management community.

General Programming
The Foundation delivers general programming to include dozens of scholarships, professional and student awards, networking groups, engagement of local communities through PMI chapters, volunteer opportunities and new educational resources.

Basis of presentation: The Foundation reports 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.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Note 1. Organization and Significant Accounting Policies (Continued)

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments: The Foundation records investments in marketable securities with readily determinable fair values and all investments in debt securities at fair value measured as more fully described in Note 3. Interest and dividend income is recognized when earned. Realized and unrealized gains and losses are included in the statements of activities as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law.

The Foundation invests in various marketable securities (corporate stocks, mutual equity funds). These investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the balances and the amounts reported in the statements of financial position and statements of activities.

Investment pools: The Foundation maintains master investment accounts for its donor-restricted endowment investments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual accounts based on the relationship of the beginning cost value of each investment to the total cost value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Net investment income: Net investment income is reported as an increase in unrestricted net assets. Net investment income on donor-restricted endowments is reported as an increase in temporarily restricted net assets.

Accounts receivable: Accounts receivable are stated at the amount management expects to collect from outstanding balances. No allowance was required at December 31, 2015 and 2014.

Promises to give: Unconditional promises to give are reported at the amounts management expects to collect on balances outstanding at year end. Changes in the allowance for uncollectible amounts are reported as uncollectible losses or recoveries and changes in the amount of discount are netted against contributions, both in the statements of activities. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are not considered collectible. Unconditional promises to give, less an allowance for uncollectible accounts, are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are not recognized until they become unconditional; that is, in the period in which the conditions on which they depend are substantially met. No allowance was required at December 31, 2015 and 2014.

Note 1. Organization and Significant Accounting Policies (Continued)

In-kind contributions: The Foundation recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended December 31, 2015 and 2014, contributed services of $584,354 and $589,810 have been recorded, respectively.

A substantial number of volunteers donated significant amounts of their time to assist in the Foundation's activities, which do not meet the recognition criteria described above and have accordingly not been reflected in the accompanying financial statements.

Website development: Website development costs are recorded at cost and are amortized on a straight-line basis over their estimated useful life of three years.

Computer software: Computer software is recorded at cost. Amortization is calculated using the straight-line method over the estimated useful life of three years.

Grants expense/payable: Unconditional grants are recorded as expense during the year of approval. Grants subject to certain conditions are recorded as expense during the year in which the conditions are substantially met, or the possibility that the conditions will not be met is remote, as determined by management. Grants payable within one year are recorded at fair value at the date of authorization. Grants payable in more than one year are recorded at the present value of the future cash outflows using a risk-free rate of return.

Concentration of credit risk: The Foundation maintains cash balances at one financial institution. The account is insured by the Federal Deposit Insurance Corporation (FDIC insured) up to $250,000. The Foundation also maintains cash and cash equivalents in brokerage accounts that are uninsured. The Foundation has not experienced any losses in such accounts. As of December 31, 2015, the uninsured balance is approximately $136,000. The Foundation believes it is not exposed to any significant credit risk on its cash balances.

Income taxes: The Foundation is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and generally exempt from federal and state income taxes. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Foundation had no net unrelated business income for the years ended December 31, 2015 and 2014.

Management evaluated the Foundation’s tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements. Consequently, no accrual for interest and penalties was deemed necessary for the years ended December 31, 2015 and 2014. The Foundation files tax returns in the U.S. federal jurisdiction. Generally, the Foundation is no longer subject to income tax examination by the U.S. federal or state tax authorities for years before 2012.

Advertising costs: The Foundation expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2015 and 2014 totaled $4,285 and $20,031, respectively.

Reclassifications: Certain reclassifications were made to the 2014 financial statements to conform to the current year presentation.

Note 1. Organization and Significant Accounting Policies (Continued)

Functional expenses: The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, the expenses directly related to the program are combined with allocations of certain common costs of the Foundation which have been allocated based on estimates made by management. These costs were allocated as follows:

	2015	2014
Program		
General Programming	$ 1,399,952	$ 1,472,395
Vision Driven Program	1,056,511	1,446,064
Disaster Management	350,817	-
Fund raising	922,967	858,707
Management and general	869,493	717,183
	$ 4,599,740	$ 4,494,349

Note 2. Investments

Investments consist of the following as of December 31:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Mutual funds - equity	$ 955,784	$ 1,010,861	$ 690,511	$ 836,636
Mutual funds - bonds	1,241,705	1,215,309	883,959	892,893
Stocks	279,699	360,137	214,281	292,479
Total investments	$ 2,477,188	$ 2,586,307	$ 1,788,751	$ 2,022,008

The following schedules summarize the investment return and classification in the statements of activities for the years ended December 31, 2015 and 2014.

	2015		
	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	$ 11,234	$ 101,738	$ 112,972
Net realized and unrealized losses	(15,594)	(152,572)	(168,166)
Total investment loss	$ (4,360)	$ (50,834)	$ (55,194)

	2014		
	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	$ 9,858	$ 83,962	$ 93,820
Net realized and unrealized gains	604	12,362	12,966
Total investment income	$ 10,462	$ 96,324	$ 106,786

Note 3. Fair Value Measurements

Valuation of investments: The fair value of each investment is determined at the statement of financial position date in accordance with FASB ASC Topic 820, *Fair Value Measurements and Disclosures*. Accordingly, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts and fair value measurements are separately disclosed by level within the fair value hierarchy. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following is a description of the valuation methodologies used for instruments measured at fair value. These valuation methodologies were applied to all of the Foundation's financial assets that are carried at fair value as of December 31, 2015 and 2014.

Investments: The fair value of securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers (Level 1). When listed prices or quotes are not available, fair value is based upon quoted market prices for similar or identical assets or other observable inputs (Level 2) or significant management judgment or estimation based upon unobservable inputs due to limited or no market activity of the instrument (Level 3).

Fair value on a recurring basis: The tables below present the balance of assets measured at fair value on a recurring basis as of December 31, 2015 and 2014:

	2015			
	Total	Level 1	Level 2	Level 3
Assets:				
Mutual funds - equity	$ 1,010,861	$ 1,010,861	$ -	$ -
Mutual funds - bonds	1,215,309	1,215,309	-	-
Stocks	360,137	360,137	-	-
Total investments	$ 2,586,307	$ 2,586,307	$ -	$ -

Note 3. Fair Value Measurement (Continued)

	2014			
	Total	Level 1	Level 2	Level 3
Assets:				
Mutual funds - equity	$ 836,636	$ 836,636	$ -	$ -
Mutual funds - bonds	892,893	892,893	-	-
Stocks	292,479	292,479	-	-
Total investments	$ 2,022,008	$ 2,022,008	$ -	$ -

There was no change in the valuation techniques used to measure fair value of investments in the years ended December 31, 2015 and 2014.

At December 31, 2015 and 2014, the Foundation did not have any financial instruments that are recorded at fair value on a nonrecurring basis.

Note 4. Promises to Give

Promises to give consist of amounts expected to be collected as follows at December 31:

	2015	2014
In one year or less	$ 32,822	$ 35,128
Between one year and five years	5,000	10,000
	37,822	45,128
Less:		
Unamortized discount (5.75%)	(529)	(1,301)
Total net promises to give	$ 37,293	$ 43,827

The promises to give include $15,000 and $25,000 of receivables as of December 31, 2015 and 2014, respectively, which are restricted for the endowment.

Additionally, the Foundation has received conditional promises to give (in-kind services, primarily related to educational programs) up to a value of $70,786. The promises are conditional upon obtaining the required enrollment for the scholarships.

Note 5. Website Development

The gross carrying amount and accumulated amortization of intangible assets subject to amortization are as follows at December 31:

	Gross Assets	Accumulated Amortization	Net
Website development - 2015	$ 290,800	$ (169,633)	$ 121,167
Website development - 2014	$ 290,800	$ (72,700)	$ 218,100

Amortization expense for the years ended December 31, 2015 and 2014 was $96,933 and $72,700, respectively, and amortization expense is expected to be $96,933 for 2016 and $24,234 for 2017.

Note 6. Grants Payable

Grants payable include amounts that will be paid more than one year after the date of the financial statements, which are discounted to present value, using a discount rate equal to the risk-free rate of return on the date of grant approval. Grants payable at December 31 are as follows:

	2015	2014
Payable in one year or less	$ 412,265	$ 796,641
Payable in one year to five years	76,650	-
Total amount granted	488,915	796,641
Unamortized discount (.16%)	(245)	-
Grants payable	$ 488,670	$ 796,641

Note 7. Related Party Transactions

The Foundation receives administrative services from Project Management Institute. The costs for these administrative services were $1,196,433 and $1,088,532 for the years ended December 31, 2015 and 2014, respectively. The Foundation also receives in-kind contributions from Project Management Institute. The in-kind contributions for facilities, information technology and human resource costs were $256,688 and $243,085 for the years ended December 31, 2015 and 2014, respectively.

In 2015, Project Management Institute Board of Directors approved up to $4,100,000 in contributions for general operations and programs. The Foundation received $2,020,273 and $1,765,429 for general operations and programs, respectively.

Effective for 2011, Project Management Institute assumed responsibility for providing core operational support services for its former Specific Interest Groups (SIGs) and Colleges. Remaining assets received from the transitioned SIGs of $577,941 were donated to the Foundation during the year ended December 31, 2015.

Note 7. Related Party Transactions (Continued)

In 2014, Project Management Institute Board of Directors approved up to $3,300,000 in contributions for general operations and for programs. The Foundation received $2,145,219 and $1,083,484 for general operations and the programs, respectively.

Total contributions from Project Management Institute for the years ended December 31, 2015 and 2014 were $4,620,331 and $3,471,788, respectively.

As of December 31, 2015 and 2014, included in accounts receivable was $0 and $66,740 due from Project Management Institute, respectively.

Note 8. Net Assets

Temporarily restricted net assets at December 31, 2015 and 2014 consist of the following:

	2015	2014
Purpose restricted:		
Vision Driven Program	$ 464,918	$ -
Scholarships and awards	428,029	532,437
	$ 892,947	$ 532,437

Net assets were released from restrictions by satisfying purpose restrictions during the years ended December 31, 2015 and 2014 was as follows:

	2015	2014
Purpose release:		
Vision Driven Program	$ 1,056,511	$ 1,083,484
Disaster Management	244,000	-
Scholarships and awards	200,274	138,481
	$ 1,500,785	$ 1,221,965

Permanently restricted net assets consist of endowment fund assets to be held in perpetuity. The income from these assets is to be used primarily to provide scholarships and awards. The income from one donor restricted endowment is used to support general operations.

Note 9. Endowment Fund

Accounting standards for the classification and disclosure of endowments of not-for-profit organizations provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and disclosures about an organization’s endowment funds. As of December 31, 2015, Pennsylvania has not adopted UPMIFA.

The endowment of the Foundation consists of approximately 30 funds established for various purposes (donor-restricted endowment funds) and a board designated fund that was established in 2015 to support general operations. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 9. Endowment Fund (Continued)

Management has interpreted Pennsylvania law for investment of trust funds (PA Law) as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment that is not classified in permanently restricted assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by PA Law. In accordance with PA Law, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the fund
- the purposes of the Foundation and the donor-restricted endowment fund
- general economic conditions
- the possible effect of inflation and deflation
- the expected total return from income and the appreciation of the investments
- other resources of the Foundation
- the investment policies of the Foundation

Composition of endowment net assets: Endowment funds as of December 31, 2015 and changes therein during the year then ended are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 36,218	$ 193,349	$ 2,347,528	$ 2,577,095
Board designated endowment funds	49,025	-	-	49,025
	$ 85,243	$ 193,349	$ 2,347,528	$ 2,626,120

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 58,311	$ 293,672	$ 1,825,949	$ 2,177,932
Contributions	49,842	-	521,579	571,421
Interest and dividend income	8,741	101,738	-	110,479
Net realized and unrealized losses	(11,872)	(152,572)	-	(164,444)
Amounts appropriated for expenditure	-	(69,268)	-	(69,268)
Transfers	(19,779)	19,779	-	-
Endowment net assets, end of year	$ 85,243	$ 193,349	$ 2,347,528	$ 2,626,120

Note 9. Endowment Fund (Continued)

Endowment funds as of December 31, 2014 and changes therein during the year then ended are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 58,311	$ 293,672	$ 1,825,949	$ 2,177,932

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 49,508	$ 263,693	$ 1,674,810	$ 1,988,011
Contributions	-	-	144,539	144,539
Interest and dividend income	7,915	83,962	-	91,877
Net realized and unrealized appreciation	888	12,362	-	13,250
Amounts appropriated for expenditure	-	(66,345)	-	(66,345)
Transfers	-	-	6,600	6,600
Endowment net assets, end of year	$ 58,311	$ 293,672	$ 1,825,949	$ 2,177,932

Amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only) as of December 31 are as follows:

	2015	2014
Endowment fund classified as permanently restricted net assets		
The portion of the perpetual endowment fund that is required to be retained permanently either by explicit donor stipulation or by State law	$ 2,347,528	$ 1,825,949
Endowment fund classified as temporarily restricted net assets		
The portion of the perpetual endowment fund subject to purpose restrictions	$ 193,349	$ 293,672

Permanently restricted funds with deficiencies: At times, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or PA Law requires the Foundation to retain as a fund of perpetual duration.

Deficiencies of this nature are reported in unrestricted net assets and were $19,779 and $0 as of December 31, 2015 and 2014, respectively. Deficiencies result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board of Directors.

Note 9. Endowment Fund (Continued)

Return objectives and risk parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a source of funding for specific program activities of the Foundation, including Scholarships and Awards, while attempting to maintain the purchasing power of the endowment assets. Endowment assets include those assets that the Foundation must hold in perpetuity or for a donor-specified period of time. The primary long-term management objective is to preserve the real (inflation adjusted) purchasing power of the endowment, both restricted and unrestricted, before gifts. This objective should be achieved over a 3-5 year period.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Foundation 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 primary investment objective of the endowment is to earn an average real total return of 8.3%.

Spending policy and how the investment objectives relate to spending policy: The Foundation has a policy of appropriating for distribution each year 5% of its endowment fund's average value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considers the long-term expected return on its endowment.

The target spending rate is that which, as part of the total return, satisfies these conditions - (a) Permits reinvestment of enough total return to preserve the real purchasing power of current funds (b) Permits a level of consistency and stability in the scholarship, academic and humanitarian programs of the Foundation (c) Is sustainable over time regardless of periodic variations in the levels required to satisfy (a) and (d) Recognizes that circumstances may preclude achievement of all three objectives in any one year.

Note 10. Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through April 26, 2016, the date the financial statements were available to be issued.