

Project Management Institute Educational Foundation

Financial Report
December 31, 2017

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Project Management Institute Educational Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Project Management Institute Educational Foundation, which comprise the statements of financial position as of December 31, 2017 and 2016, the related statements of activities 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 Project Management Institute Educational Foundation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

RSM US LLP

Blue Bell, Pennsylvania
April 23, 2018

Project Management Institute Educational Foundation

**Statements of Financial Position
December 31, 2017 and 2016**

	2017	2016
Assets		
Cash and cash equivalents	\$ 167,569	\$ 50,317
Cash and cash equivalents restricted for endowment	-	46,102
Investments	3,219,633	2,847,200
Promises to give, net	82,616	25,277
Inventory	5,030	-
Prepaid expenses and other assets	145,403	11,417
Website development, net of accumulated amortization of \$354,136 and \$266,567, respectively	221,664	214,233
Computer software, net of accumulated amortization of \$158,098 and \$84,436, respectively	198,002	153,434
	<hr/>	<hr/>
Total assets	\$ 4,039,917	\$ 3,347,980
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 46,660	\$ 23,062
Grants payable	1,087,692	664,014
Total liabilities	<hr/>	<hr/>
	1,134,352	687,076
Net assets:		
Unrestricted net assets (deficiency)	(259,389)	(420,659)
Temporarily restricted net assets	643,076	659,103
Permanently restricted net assets	2,521,878	2,422,460
Total net assets	<hr/>	<hr/>
	2,905,565	2,660,904
	<hr/>	<hr/>
Total liabilities and net assets	\$ 4,039,917	\$ 3,347,980
	<hr/> <hr/>	<hr/> <hr/>

See notes to financial statements.

Project Management Institute Educational Foundation

Statement of Activities

Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenue, gains and loss:				
Contributions	\$ 4,332,110	\$ 1,831,002	\$ 99,418	\$ 6,262,530
Book sales, net	(14,958)	-	-	(14,958)
Interest and dividend income	8,108	63,699	-	71,807
Net realized and unrealized gains on investments	40,518	317,196	-	357,714
Net assets released from restriction	2,227,924	(2,227,924)	-	-
Total support, revenues, gains and loss	6,593,702	(16,027)	99,418	6,677,093
Expenses:				
Accounting	24,486	-	-	24,486
Amortization	161,231	-	-	161,231
Awards/scholarships/sponsorships	455,549	-	-	455,549
Consultant fees	1,135,654	-	-	1,135,654
Grants	1,886,118	-	-	1,886,118
Management fee	2,130,616	-	-	2,130,616
Marketing/promotion	5,649	-	-	5,649
Office expenses	73,519	-	-	73,519
Printing and copying	21,930	-	-	21,930
State registration fees	11,500	-	-	11,500
Travel and meetings	488,580	-	-	488,580
Uncollectible pledges	37,600	-	-	37,600
Total expenses	6,432,432	-	-	6,432,432
Change in net assets	161,270	(16,027)	99,418	244,661
Net assets at beginning of year	(420,659)	659,103	2,422,460	2,660,904
Net assets at end of year	\$ (259,389)	\$ 643,076	\$ 2,521,878	\$ 2,905,565

See notes to financial statements.

Project Management Institute Educational Foundation

Statement of Activities

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenue, gains and loss:				
Contributions	\$ 3,707,972	\$ 1,514,510	\$ 61,246	\$ 5,283,728
Loss on uncollectible endowment pledge	-	-	(3,100)	(3,100)
Interest and dividend income	12,159	99,965	-	112,124
Net realized and unrealized gains on investments	4,719	55,552	-	60,271
Net assets released from restriction	1,903,871	(1,903,871)	-	-
Total support, revenues, gains and loss	5,628,721	(233,844)	58,146	5,453,023
Expenses:				
Accounting	19,291	-	-	19,291
Amortization	150,529	-	-	150,529
Awards/scholarships/sponsorships	493,824	-	-	493,824
Consultant fees	1,096,336	-	-	1,096,336
Grants	1,329,555	-	-	1,329,555
Management fee	1,774,512	-	-	1,774,512
Marketing/promotion	3,087	-	-	3,087
Office expenses	77,687	-	-	77,687
Printing and copying	24,260	-	-	24,260
State registration fees	14,966	-	-	14,966
Travel and meetings	435,761	-	-	435,761
Uncollectible pledges	250	-	-	250
Total expenses	5,420,058	-	-	5,420,058
Change in net assets	208,663	(233,844)	58,146	32,965
Net assets at beginning of year	(629,322)	892,947	2,364,314	2,627,939
Net assets at end of year	\$ (420,659)	\$ 659,103	\$ 2,422,460	\$ 2,660,904

See notes to financial statements.

Project Management Institute Educational Foundation

Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 244,661	\$ 32,965
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization	161,231	150,529
Net realized and unrealized gains	(357,714)	(60,271)
Uncollectible pledges	37,600	3,350
Amortization of pledge discount	-	(529)
Contributions restricted for endowment	(99,418)	(61,246)
(Increase) decrease in assets:		
Promises to give	(38,150)	3,464
Inventory	(5,030)	-
Prepaid expenses and other assets	(133,986)	2,741
Increase (decrease) in liabilities:		
Accounts payable	23,598	(11,184)
Grants payable	423,678	175,344
Net cash provided by operating activities	256,470	235,163
Cash flows from investing activities:		
Purchase of investments	(3,623,146)	(1,208,810)
Proceeds from sale of investments	3,608,427	1,008,188
Purchases of computer software	(118,230)	-
Website development	(95,000)	(190,000)
Net cash used in investing activities	(227,949)	(390,622)
Cash flows from financing activities:		
Proceeds from contributions restricted for endowment	42,629	66,977
Net cash provided by financing activities	42,629	66,977
Net change in cash and cash equivalents	71,150	(88,482)
Cash and cash equivalents:		
Beginning of year	96,419	184,901
End of year	\$ 167,569	\$ 96,419

See notes to financial statements.

Project Management Institute Educational Foundation

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 (IRC). 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:

PM Knowledgeable Youth: Integrate Project Management and Project-Centered Education into K through 12 Curricula

Launched in 2012, this 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 program shifts focus from pilot to scaling globally, the Foundation will consider extending into primary school education as opportunities arise.

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. The Foundation is scaling up its teacher training activities to accommodate the growing interest.

PM Capable Nonprofits

Project management professionals believe that improving response in times of need can be accomplished through providing project management training to non-governmental organizations so that they may use their limited resources more efficiently and effectively. These activities also include those organizations providing front-line disaster relief personnel and humanitarian efforts. The Foundation also regularly offers project management related professional development scholarships to the staff of non-governmental organizations.

PM Ready Workforce and 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.

Unconditional contributions are recognized as support in the period received. 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.

Project Management Institute Educational Foundation

Notes to Financial Statements

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 equity 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 equity securities (mutual 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.

Interest and dividend income: Interest and dividend income is reported as an increase in unrestricted net assets unless its use is restricted by explicit donor stipulation or law.

Accounts receivable: Accounts receivable are stated at the amount management expects to collect from outstanding balances. No allowance was required at December 31, 2017 and 2016.

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. The allowance was \$2,500 and \$0 at December 31, 2017 and 2016, respectively.

Inventory: Inventory consists of a Foundation publication held for sale. Inventory is stated at the lower of cost or market, average cost method.

Project Management Institute Educational Foundation

Notes to Financial Statements

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, 2017 and 2016, contributed services of \$603,566 and \$522,743 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. In addition, the Foundation maintains cash and cash equivalents in brokerage accounts that are uninsured. As of December 31, 2017, the uninsured balance for the brokerage account is approximately \$44,000. The Foundation has not experienced any losses on cash accounts and believes that they are not exposed to significant credit risk on cash.

Income taxes: The Foundation is exempt from income taxes under the provisions of Section 501(c)(3) of the IRC 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, 2017 and 2016.

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, 2017 and 2016. 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 2014.

Advertising costs: The Foundation expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2017 and 2016 totaled \$5,649 and \$3,087, respectively.

Revenue recognition: Revenue from the sale of books is recognized when shipped to the customer.

Project Management Institute Educational Foundation

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

Recently issued accounting pronouncements: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958)*, which amends the requirements for financial statements and footnotes. Key elements of this amendment include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. The impact of adopting ASU 2016-14 on the Foundation's financial statements for subsequent periods has not yet been determined.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for the Foundation for the fiscal years beginning after December 15, 2019. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted. The Foundation is currently evaluating the impact of the adoption of this guidance on its financial statements.

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:

	2017	2016
Program:		
PM Ready Workforce and General Programming	\$ 2,518,139	\$ 1,993,791
PM Knowledgeable Youth	1,451,398	1,283,929
PM Capable Nonprofits	475,000	339,575
Fund raising	908,620	889,352
Management and general	1,079,275	913,411
	<u>\$ 6,432,432</u>	<u>\$ 5,420,058</u>

Reclassifications: Certain reclassifications were made to the 2016 financial statements to conform to the current year presentation.

Project Management Institute Educational Foundation

Notes to Financial Statements

Note 2. Investments

Investments consist of the following as of December 31:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Mutual funds - equity	\$ 1,685,549	\$ 1,759,824	\$ 935,901	\$ 995,148
Mutual funds - bonds	1,448,913	1,459,809	1,208,892	1,197,626
Stocks	-	-	564,086	654,426
Total investments	<u>\$ 3,134,462</u>	<u>\$ 3,219,633</u>	<u>\$ 2,708,879</u>	<u>\$ 2,847,200</u>

The following schedules summarize the investment income and classification in the statements of activities for the years ended December 31, 2017 and 2016.

	2017		
	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 8,108	\$ 63,699	\$ 71,807
Net realized and unrealized gains	40,518	317,196	357,714
Total investment income	<u>\$ 48,626</u>	<u>\$ 380,895</u>	<u>\$ 429,521</u>

	2016		
	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 12,159	\$ 99,965	\$ 112,124
Net realized and unrealized gains	4,719	55,552	60,271
Total investment income	<u>\$ 16,878</u>	<u>\$ 155,517</u>	<u>\$ 172,395</u>

Project Management Institute Educational Foundation

Notes to Financial Statements

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 Measurement. 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, 2017 and 2016.

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, 2017 and 2016:

	2017			
	Total	Level 1	Level 2	Level 3
Assets:				
Mutual funds - equity	\$ 1,759,824	\$ 1,759,824	\$ -	\$ -
Mutual funds - bonds	1,459,809	1,459,809	-	-
Total investments	<u>\$ 3,219,633</u>	<u>\$ 3,219,633</u>	<u>\$ -</u>	<u>\$ -</u>
	2016			
	Total	Level 1	Level 2	Level 3
Assets:				
Mutual funds - equity	\$ 995,148	\$ 995,148	\$ -	\$ -
Mutual funds - bonds	1,197,626	1,197,626	-	-
Stocks	654,426	654,426	-	-
Total investments	<u>\$ 2,847,200</u>	<u>\$ 2,847,200</u>	<u>\$ -</u>	<u>\$ -</u>

Project Management Institute Educational Foundation

Notes to Financial Statements

Note 3. Fair Value Measurement (Continued)

There was no change in the valuation techniques used to measure fair value of investments in the years ended December 31, 2017 and 2016.

At December 31, 2017 and 2016, 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:

	2017	2016
In one year or less	\$ 85,116	\$ 25,277
Between one year and five years	-	-
	85,116	25,277
Allowance for uncollectible accounts	(2,500)	-
Total net promises to give	<u>\$ 82,616</u>	<u>\$ 25,277</u>

The promises to give include amounts 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 \$1,795. The promises are conditional upon obtaining the required enrollment for the scholarships.

Note 5. Intangible Assets

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

	2017	
	Website Development	Computer Software
Gross assets	\$ 575,800	\$ 356,100
Accumulated amortization	(354,136)	(158,098)
Net	<u>\$ 221,664</u>	<u>\$ 198,002</u>
	2016	
	Website Development	Computer Software
Gross assets	\$ 480,800	\$ 237,870
Accumulated amortization	(266,567)	(84,436)
Net	<u>\$ 214,233</u>	<u>\$ 153,434</u>

Project Management Institute Educational Foundation

Notes to Financial Statements

Note 5. Intangible Assets (Continued)

Amortization expense for the years ended December 31, 2017 and 2016 was \$161,231 and \$150,529, respectively.

Estimated amortization expense in the future years is as follows:

2018	\$	196,077
2019		160,104
2020		63,485
	\$	<u>419,666</u>

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:

	2017	2016
Payable in one year or less	\$ 839,237	\$ 525,431
Payable in one year to five years	257,000	140,000
Total amount granted	<u>1,096,237</u>	<u>665,431</u>
Unamortized discount	(8,545)	(1,417)
Grants payable	<u>\$ 1,087,692</u>	<u>\$ 664,014</u>

Note 7. Related Party Transactions

The Foundation receives administrative services from Project Management Institute. The costs for these administrative services were \$1,751,160 and \$1,460,198 for the years ended December 31, 2017 and 2016, 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 \$379,456 and \$314,314 for the years ended December 31, 2017 and 2016, respectively. Such costs comprise management fee expense in the statements of activities.

In 2017, Project Management Institute Board of Directors approved up to \$5,200,000 in contributions for general operations and programs. The Foundation received \$3,429,679 and \$1,768,652 for general operations and programs, respectively.

In 2016, Project Management Institute Board of Directors approved up to \$4,400,000 in contributions for general operations and programs. The Foundation received \$2,940,813 and \$1,397,828 for general operations and programs, respectively.

Total contributions from Project Management Institute for the years ended December 31, 2017 and 2016 were \$5,577,787 and \$4,652,955, respectively.

Project Management Institute Educational Foundation

Notes to Financial Statements

Note 8. Net Assets

Temporarily restricted net assets at December 31, 2017 and 2016 consist of the following:

	2017	2016
Purpose restricted:		
PM Knowledgeable Youth	\$ -	\$ 262,000
PM Capable Nonprofits	4,575	-
PM Ready Workforce:		
Scholarships and awards, endowment earnings	542,674	262,364
Scholarships and awards, other	95,827	134,739
	<u>\$ 643,076</u>	<u>\$ 659,103</u>

Net assets were released from restrictions by satisfying purpose restrictions during the years ended December 31, 2017 and 2016 as follows:

	2017	2016
Purpose release:		
PM Knowledgeable Youth	\$ 1,426,077	\$ 1,283,929
PM Capable Nonprofits	475,000	316,817
PM Ready Workforce:		
Grants	125,000	-
Scholarships and awards	201,847	303,125
	<u>\$ 2,227,924</u>	<u>\$ 1,903,871</u>

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 Funds

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, 2017, 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.

Project Management Institute Educational Foundation

Notes to Financial Statements

Note 9. Endowment Funds (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 or unrestricted 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, 2017 and changes therein during the year then ended are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 95,414	\$ 542,674	\$ 2,457,134	\$ 3,095,222
Board designated endowment funds	82,567	-	-	82,567
	<u>\$ 177,981</u>	<u>\$ 542,674</u>	<u>\$ 2,457,134</u>	<u>\$ 3,177,789</u>
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 131,903	\$ 262,364	\$ 2,414,505	\$ 2,808,772
Contributions	-	-	42,629	42,629
Interest and dividend income	5,887	62,441	-	68,328
Net realized and unrealized gains	38,972	317,196	-	356,168
Amounts appropriated for expenditure	-	(98,108)	-	(98,108)
Transfers	1,219	(1,219)	-	-
Endowment net assets, end of year	<u>\$ 177,981</u>	<u>\$ 542,674</u>	<u>\$ 2,457,134</u>	<u>\$ 3,177,789</u>

Project Management Institute Educational Foundation

Notes to Financial Statements

Note 9. Endowment Funds (Continued)

Endowment funds as of December 31, 2016 and changes therein during the year then ended are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 65,426	\$ 262,364	\$ 2,414,505	\$ 2,742,295
Board designated endowment funds	66,477	-	-	66,477
	<u>\$ 131,903</u>	<u>\$ 262,364</u>	<u>\$ 2,414,505</u>	<u>\$ 2,808,772</u>
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 85,243	\$ 193,349	\$ 2,347,528	\$ 2,626,120
Contributions	13,980	-	66,977	80,957
Interest and dividend income	9,536	99,965	-	109,501
Net realized and unrealized gains	4,584	55,552	-	60,136
Amounts appropriated for expenditure	-	(67,942)	-	(67,942)
Transfers	18,560	(18,560)	-	-
Endowment net assets, end of year	<u>\$ 131,903</u>	<u>\$ 262,364</u>	<u>\$ 2,414,505</u>	<u>\$ 2,808,772</u>

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

	2017	2016
<u>Endowment fund classified as permanently restricted net assets</u>		
The portion of the perpetual endowment fund that is required to be retained permanently either by explicit donor stipulation or by State law	<u>\$ 2,457,134</u>	<u>\$ 2,414,505</u>
<u>Endowment fund classified as temporarily restricted net assets</u>		
The portion of the perpetual endowment fund subject to purpose restrictions	<u>\$ 542,674</u>	<u>\$ 262,364</u>

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 \$0 and \$1,219 and as of December 31, 2017 and 2016, 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.

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Notes to Financial Statements

Note 9. Endowment Funds (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 5.1%.

Spending policy and how the investment objectives relate to spending policy: The Foundation has a policy of appropriating for distribution each year 4% of its endowment fund's average value over the prior three years 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 23, 2018, the date the financial statements were available to be issued.