

# **The ULI Foundation**

Financial Report  
June 30, 2016

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## Independent Auditor's Report

RSM US LLP

To the Members  
The ULI Foundation  
Washington, D.C.

### Report on the Financial Statements

We have audited the accompanying financial statements of The ULI Foundation, which comprise the balance sheets as of June 30, 2016 and 2015, 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 The ULI Foundation as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*RSM US LLP*

Washington, D.C.  
October 26, 2016

## The ULI Foundation

### Balance Sheets June 30, 2016 and 2015

	2016	2015
<b>Assets</b>		
Current assets:		
Cash	\$ 292,628	\$ 699,795
Unconditional promises to give, net (Note 2)	2,376,878	2,267,841
Accrued interest receivable	15,674	24,484
<b>Total current assets</b>	<b>2,685,180</b>	<b>2,992,120</b>
Website, net	-	5,878
Investments (Notes 3 and 4)	37,614,976	38,050,019
Unconditional promises to give, net (Note 2)	13,163,947	13,283,884
	<b>\$ 53,464,103</b>	<b>\$ 54,331,901</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Due to ULI (Note 5)	\$ 7,607,139	\$ 6,018,121
Refundable advances	15,000	148,439
<b>Total current liabilities</b>	<b>7,622,139</b>	<b>6,166,560</b>
Commitments (Note 4)		
Net assets:		
Unrestricted:		
Undesignated	6,317,918	7,044,529
Designated for ULI (Note 5)	497,595	536,815
	<b>6,815,513</b>	<b>7,581,344</b>
Temporarily restricted (Note 6)	30,504,022	32,046,380
Permanently restricted (Note 6)	8,522,429	8,537,617
	<b>45,841,964</b>	<b>48,165,341</b>
	<b>\$ 53,464,103</b>	<b>\$ 54,331,901</b>

See notes to financial statements.

The ULI Foundation

Statement of Activities  
Year Ended June 30, 2016  
(With Comparative Totals for 2015)

	2016			Total	2015 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Contributions	\$ 1,060,441	\$ 2,290,749	\$ 34,751	\$ 3,385,941	\$ 11,462,922
Grant restructure (Note 6)	-	-	-	-	(1,611,227)
Transfer of remainder contribution to National League of Cities (Note 6)	-	-	-	-	(1,275,939)
Contribution from ULI (Note 5)	672,318	422,093	-	1,094,411	946,341
Interest and dividends, net of fees (Note 3)	331,668	508,995	14,888	855,551	660,662
Net assets released from restrictions (Note 6)	4,090,395	(4,047,227)	(43,168)	-	-
<b>Total support and revenue</b>	<b>6,154,822</b>	<b>(825,390)</b>	<b>6,471</b>	<b>5,335,903</b>	<b>10,182,759</b>
Expenses:					
Grants to ULI (Note 5)	5,773,855	-	-	5,773,855	5,743,931
Fundraising	534,673	-	-	534,673	755,375
General and administrative	257,918	-	-	257,918	262,303
<b>Total expenses</b>	<b>6,566,446</b>	<b>-</b>	<b>-</b>	<b>6,566,446</b>	<b>6,761,609</b>
<b>Change in net assets before investment loss</b>	<b>(411,624)</b>	<b>(825,390)</b>	<b>6,471</b>	<b>(1,230,543)</b>	<b>3,421,150</b>
Investment loss (Note 3)	(354,207)	(716,968)	(21,659)	(1,092,834)	(652,222)
<b>Change in net assets</b>	<b>(765,831)</b>	<b>(1,542,358)</b>	<b>(15,188)</b>	<b>(2,323,377)</b>	<b>2,768,928</b>
Net assets:					
Beginning	7,581,344	32,046,380	8,537,617	48,165,341	45,396,413
Ending	<b>\$ 6,815,513</b>	<b>\$ 30,504,022</b>	<b>\$ 8,522,429</b>	<b>\$ 45,841,964</b>	<b>\$ 48,165,341</b>

See notes to financial statements.

**The ULI Foundation**

**Statement of Activities  
Year Ended June 30, 2015**

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Contributions	\$ 1,100,408	\$ 10,336,705	\$ 25,809	\$ 11,462,922
Grant restructure (Note 6)	-	(1,022,518)	(588,709)	(1,611,227)
Transfer of remainder contribution to National League of Cities (Note 6)	-	(1,275,939)	-	(1,275,939)
Contribution from ULI (Note 5)	946,341	-	-	946,341
Interest and dividends, net of fees (Note 3)	198,090	446,744	15,828	660,662
Net assets released from restrictions (Note 6)	4,117,806	(4,092,674)	(25,132)	-
<b>Total support and revenue</b>	<b>6,362,645</b>	<b>4,392,318</b>	<b>(572,204)</b>	<b>10,182,759</b>
Expenses:				
Grants to ULI (Note 5)	5,743,931	-	-	5,743,931
Fundraising	755,375	-	-	755,375
General and administrative	262,303	-	-	262,303
<b>Total expenses</b>	<b>6,761,609</b>	<b>-</b>	<b>-</b>	<b>6,761,609</b>
<b>Change in net assets before investment loss</b>	<b>(398,964)</b>	<b>4,392,318</b>	<b>(572,204)</b>	<b>3,421,150</b>
Investment loss (Note 3)	(103,071)	(531,460)	(17,691)	(652,222)
<b>Change in net assets</b>	<b>(502,035)</b>	<b>3,860,858</b>	<b>(589,895)</b>	<b>2,768,928</b>
Net assets:				
Beginning	8,083,379	28,185,522	9,127,512	45,396,413
Ending	<b>\$ 7,581,344</b>	<b>\$ 32,046,380</b>	<b>\$ 8,537,617</b>	<b>\$ 48,165,341</b>

See notes to financial statements.

The ULI Foundation

Statements of Cash Flows  
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (2,323,377)	\$ 2,768,928
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	-	41,737
Grant restructure	-	1,611,227
Transfer of remainder contribution to National League of Cities	-	1,275,939
Change in present value discount on promises to give	(253,922)	1,086,763
Depreciation	5,878	5,877
Realized and unrealized loss on investments, net	1,092,834	652,222
Donated stock	(98,035)	(101,027)
Contributions restricted for long-term investment	(34,751)	(25,809)
Changes in assets and liabilities:		
(Increase) decrease in:		
Unconditional promises to give	264,822	(9,242,710)
Accrued interest receivable	8,810	39,295
Increase (decrease) in:		
Due to ULI	1,589,018	404,029
Refundable advances	(133,439)	93,439
<b>Net cash provided by (used in) operating activities</b>	<b>117,838</b>	<b>(1,390,090)</b>
Cash flows from investing activities:		
Purchase and sales of investments, net	(559,756)	11,762,668
<b>Net cash (used in) provided by investing activities</b>	<b>(559,756)</b>	<b>11,762,668</b>
Cash flows from financing activities:		
Repayment to ULI	-	(10,000,000)
Contributions restricted for long-term investment	34,751	25,809
<b>Net cash provided by (used in) financing activities</b>	<b>34,751</b>	<b>(9,974,191)</b>
<b>Net (decrease) increase in cash</b>	<b>(407,167)</b>	<b>398,387</b>
Cash:		
Beginning	699,795	301,408
Ending	\$ 292,628	\$ 699,795
Supplemental schedule of noncash investing and financing activity:		
Receipt of donated stock	\$ 98,035	\$ 101,027

See notes to financial statements.

## The ULI Foundation

### Notes to the Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** The ULI Foundation (ULIF) is a nonprofit organization that seeks and administers funds to finance educational and research programs for The Urban Land Institute (ULI) that result in the formulation of comprehensive guidelines and innovative techniques for the planning, development and use of land.

ULIF is affiliated with ULI through common support, activities and certain members of the Board of Directors and Trustees. ULIF financial statements are separate entity financial statements and do not intend to represent the complete economic entity that is reported in the consolidated financial statements of ULI and Affiliate.

A summary of ULIF's significant accounting policies follows:

**Basis of accounting:** The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby unconditional support is recognized when notification of the contribution is received, revenue is recognized when earned, and expenses are recognized when incurred.

**Basis of presentation:** The financial statements presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities Topic of the FASB ASC, ULIF 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.

**Financial risk:** ULIF maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. ULIF has not experienced any losses in such accounts. ULIF believes it is not exposed to any significant financial risk on cash.

ULIF invests in a professionally managed portfolio that contains various types of securities. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

**Investments:** All investments in debt securities and investments in equity securities with readily determinable fair values are reflected at fair value. To adjust the carrying value of these investments, the change in fair market value is charged or credited to operations.

Purchases and sales of investments are shown net on the statement of cash flow due to frequent trades. Trades are initiated by an investment advisor consistent with policy established by the Board of Directors. The investment advisor reviews material trades and portfolio performance with the Investment Committee of the Board on a regular basis.

In May 2015, FASB issued Accounting Standards Update (ASU) No. 2015-07 *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This amendment removed the requirement to categorize all investments for which fair value is measured using the net asset value per share practical expedient within the fair value hierarchy. However, sufficient information must be provided to permit reconciliation of the fair value of assets in the fair value hierarchy to the amounts presented in the balance sheet. The guidance in ASU No. 2015-07 is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. Upon adoption, the amendments are applied retrospectively to all periods presented. The impact of adopting this Update is reflected in Note 4 of the financial statements.

## The ULI Foundation

### Notes to the Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Unconditional promises to give:** An unconditional promise to give is a promise to give that depends only on the passage of time or demand by the promisee for performance. Unconditional promises to give are recognized as revenue or gains in the period promised and communicated to ULIF. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

In accordance with FASB reporting requirements, unconditional promises to give in a future period are discounted to their net present value, using a discount rate based on the market rates at the time of the original promise, which was 2.5% for 2016 and 2015, and historically ranges from 3% to 6%. Unconditional promises to give are carried at present value less an estimate made for doubtful promises based on a review of all outstanding promises on a monthly basis. Management determines the allowance for doubtful promises by using the historical experience applied to an aging of promises. Promises are written off when deemed uncollectible. Based on management's evaluation of the collection of promises, the allowance for doubtful promises was \$185,000 at June 30, 2016 and 2015.

Rescinded pledges are recorded as reductions of temporarily restricted and permanently restricted net assets in the accompanying statements of activities. Rescinded pledges were \$2,887,166 during the year ended June 30, 2015. There were no rescinded pledges during the year ended June 30, 2016.

**Website:** Website costs are accounted for using guidance under the Property, Plant and Equipment topic of the ASC, on accounting for costs of computer software developed or obtained for internal use. Direct costs of materials and services consumed in developing or obtaining internal-use computer software and payroll and payroll-related costs for employees who are directly associated with and who devote time to the internal-use computer software project are capitalized. ULIF capitalizes all applicable costs and upon implementation, provides depreciation using the straight-line method over the estimated useful lives of three years. Cost and accumulated depreciation are \$17,633 and \$17,633, respectively, at June 30, 2016 and 2015.

**Refundable advances:** The refundable advances are grant funds received in advance which are reported as refundable advances until the conditions on which they depend are substantially met or the conditions of their use are determined.

**Designated for ULI:** The ULIF Board of Directors voted to transfer all funds raised through the annual fund program to ULI to support ongoing ULI programs. The funds classified as designated for ULI represent the unrestricted contributions raised through the annual fund program. Funds raised in each calendar year will be transferred to ULI between January 1 and June 30 of the following year. In return, ULI added to its annual budget all ULIF operating expenses.

**Contributions:** All donor-restricted contributions are 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 statement of activities as net assets released from restrictions.

Permanently restricted net assets represent endowment funds that are not available for use by ULIF. Earnings on the endowment funds are either temporarily restricted for program purposes or available for general operations as specified by the donor.

Unrestricted contributions increase unrestricted net assets.

## The ULI Foundation

### Notes to the Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Revocable contributions:** ULIF is the beneficiary under various wills and other agreements. ULIF's share of such amounts is not recorded until the ULIF has irrevocable right to the bequest and or funds. The revocable amounts received in these agreements are \$4,450,000 and \$2,000,000 for the years ended June 30, 2016 and 2015, respectively. The cumulative revocable amounts as of June 30, 2016, are \$21,850,000. These gift amounts reflect the original gift value and are not discounted for net present value.

**Donated stock:** ULIF complies with FASB ASU No. 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*, which requires a nonprofit entity to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any nonprofit imposed limitations for sale and were converted nearly immediately into cash.

**Use of estimates:** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

**Income taxes:** ULIF is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, ULIF qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. ULIF had no net unrelated business income for the years ended June 30, 2016 and 2015.

ULIF is not aware of any uncertain tax positions and therefore, no tax liabilities have been recorded at June 30, 2016 and 2015. Generally, ULIF is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities before 2013.

**Reclassifications:** Certain items in the June 30, 2015, financial statements have been reclassified to comply with the current year presentation. These reclassifications had no effect on previously reported change in net assets or net assets.

**Accounting pronouncements pending:** In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of nonprofit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a nonprofit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier applicable is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management is currently evaluating the impact of this ASU on the financial statements.

**Subsequent events:** ULIF evaluated subsequent events through October 26, 2016, which is the date financial statements were available to be issued.

## The ULI Foundation

### Notes to the Financial Statements

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#### Note 2. Unconditional Promises to Give

Unconditional promises to give at June 30, 2016 and 2015, consist of the following:

	2016	2015
Unconditional promises to give in less than one year	\$ 2,411,878	\$ 2,302,841
Unconditional promises to give in one to five years	3,748,451	3,907,340
Unconditional promises to give due in lifetime or upon death of donor	13,860,314	14,075,284
Total unconditional promises to give	20,020,643	20,285,465
Less discount to net present value	4,294,818	4,548,740
Less provision for doubtful promises	185,000	185,000
Net unconditional promises to give	<u>\$ 15,540,825</u>	<u>\$ 15,551,725</u>

#### Note 3. Investments

Investments at June 30, 2016 and 2015, consist of the following:

	2016	2015
Mutual funds	\$ 15,523,357	\$ 13,922,597
Pooled funds – international equities	4,679,926	5,202,219
Pooled funds – emerging markets	3,947,041	4,270,248
Real estate	3,056,798	2,872,895
Timberland X Limited Partnership	2,840,534	2,737,147
Common stock – domestic	2,082,606	4,308,890
Corporate bonds	1,924,017	1,801,104
Government bonds	1,333,205	1,613,784
Money market	1,095,891	535,392
Private equity	780,137	785,743
Certificates of deposit	351,464	-
	<u>\$ 37,614,976</u>	<u>\$ 38,050,019</u>

## The ULI Foundation

### Notes to the Financial Statements

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#### Note 3. Investments (Continued)

Total investment return for the years ended June 30, 2016 and 2015, consists of the following components:

	2016	2015
Realized and unrealized loss, net	\$ (1,092,834)	\$ (652,222)
Interest and dividends	\$ 855,551	\$ 660,662

Interest and dividends are presented in operations and realized and unrealized losses are presented as other changes in the statements of activities.

**Return objective and risk parameters:** ULIF's objective is to earn a respectable, long-term, risk-adjusted total rate of return to support the designated programs. ULIF recognizes and accepts that pursuing such a goal involves risk and potential volatility. ULIF targets a diversified asset allocation that places a greater emphasis on equity-based investments, to achieve its long-term return objectives within prudent risk constraints. ULIF has established a portfolio asset allocation. While the asset allocation can be adjusted from time to time, it is designed to serve for long-time horizons based upon long-term expected returns.

#### Note 4. Fair Value Measurements

The ASC Topic on Fair Value Measurement establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosure about fair market value measurements. This enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking quality and reliability of the information used to determine fair value.

The provision applies to all assets and liabilities that are being measured and reported on a fair value basis, and are disclosed in one of the following three categories:

**Level 1:** Quoted market prices in active markets for identical assets or liabilities.

**Level 2:** Observable market-based inputs or unobservable inputs corroborated by market data.

**Level 3:** Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, ULIF performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Measurement Topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no liabilities subject to fair value measurement at June 30, 2016 and 2015.

ULIF recognizes transfers between levels at the end of each year for both transfers in and out of level classification. As of July 1, 2015, the pooled funds – international equities, pooled funds – emerging markets, Timberland X Limited Partnership, real estate, and private equity funds were included on the schedule; however, due to a change in policy application, the funds have been removed from the schedule below. These funds totaled \$16,038,479 at July 1, 2015.

## The ULI Foundation

### Notes to the Financial Statements

#### Note 4. Fair Value Measurements (Continued)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at June 30, 2016:

	Total	Level 1	Level 2
Mutual funds:			
Equities	\$ 10,466,948	\$ 10,466,948	\$ -
Bonds	3,917,501	3,917,501	-
	<u>14,384,449</u>	<u>14,384,449</u>	<u>-</u>
Common stock:			
Basic materials	72,268	72,268	-
Consumer goods	628,408	628,408	-
Financial	406,416	406,416	-
Healthcare	167,612	167,612	-
Industrial goods	344,947	344,947	-
Services	32,700	32,700	-
Technology	281,313	281,313	-
Utilities	148,942	148,942	-
	<u>2,082,606</u>	<u>2,082,606</u>	<u>-</u>
Bonds:			
Agencies	993,944	-	993,944
Treasuries	339,261	339,261	-
Corporate	1,924,017	1,924,017	-
	<u>3,257,222</u>	<u>2,263,278</u>	<u>993,944</u>
Other:			
Money market funds	1,095,891	1,095,891	-
	<u>1,095,891</u>	<u>1,095,891</u>	<u>-</u>
	20,820,168	<u>\$ 19,826,224</u>	<u>\$ 993,944</u>
Investments held at cost	351,464		
Other investments measured at net asset value or its equivalent	<u>16,443,344</u>		
	<u>\$ 37,614,976</u>		

## The ULI Foundation

### Notes to the Financial Statements

#### Note 4. Fair Value Measurements (Continued)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at June 30, 2015:

	Total	Level 1	Level 2
Mutual funds:			
Equities	\$ 9,281,016	\$ 9,281,016	\$ -
Bonds	4,020,094	4,020,094	-
	<u>13,301,110</u>	<u>13,301,110</u>	<u>-</u>
Common stock:			
Basic materials	452,034	452,034	-
Conglomerates	42,433	42,433	-
Consumer goods	440,136	440,136	-
Financial	1,045,930	1,045,930	-
Healthcare	196,774	196,774	-
Industrial goods	467,374	467,374	-
Services	826,488	826,488	-
Technology	837,721	837,721	-
	<u>4,308,890</u>	<u>4,308,890</u>	<u>-</u>
Bonds:			
Agencies	1,219,485	-	1,219,485
Treasuries	394,299	394,299	-
Corporate	1,801,104	1,801,104	-
	<u>3,414,888</u>	<u>2,195,403</u>	<u>1,219,485</u>
Other:			
Money market funds	535,392	535,392	-
	<u>535,392</u>	<u>535,392</u>	<u>-</u>
	21,560,280	<u>\$ 20,340,795</u>	<u>\$ 1,219,485</u>
Other investments measured at net asset value or its equivalent	<u>16,489,739</u>		
	<u>\$ 38,050,019</u>		

## The ULI Foundation

### Notes to the Financial Statements

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#### Note 4. Fair Value Measurements (Continued)

**Level 1: Valuation:** The fair value of equity mutual funds, bond mutual funds, common stocks, corporate bonds, U.S. Treasury bonds, and money market funds is determined based on quoted market prices, when available, or market prices provided by recognized broker dealers; thus, they are categorized as Level 1.

**Level 2: Valuation:** The fair value of U.S. Government agency bonds are determined based on inputs other than quoted prices. This includes the use of models or other valuation methodologies, which are corroborated by other market data, in order to determine their fair value.

**Other – valuation:** Certificates of deposit totaling \$351,464 as of June 30, 2016 are not subject to the provisions of fair value measurement because they are held at cost rather than fair value. Pooled funds – international equities, pooled funds – emerging markets, Timberland X Limited Partnership, real estate, real estate mutual funds, and private equity funds of \$16,443,344 and \$16,489,739 as of June 30, 2016 and 2015, respectively, are not subject to fair value level categorization because they are held at net asset value per share as a practical expedient to fair value.

**Pooled funds:** Pooled funds – international equities, pooled funds – emerging markets, and real estate mutual funds (pooled funds) are comprised of managed funds for which the price of those funds is not publicly traded; however, the underlying investments in those funds are international and emerging market equities that are publicly traded. The pooled funds' overall investment objectives are to provide long-term capital appreciation in excess of pre-determined indices by investing in equity securities of companies operating in international markets or global developing markets. The pooled funds can be liquidated monthly with 30 days' notice. There are no unfunded commitments at June 30, 2016 and 2015.

**Real estate – limited partnership:** The valuation of ULIF's investment in real estate is based on a percentage ownership of the net asset value of the partnership and is not an observable input corroborated by market data. The underlying investments of the partnership are generally appraised every quarter, with an independent appraisal of each asset performed at least annually. In quarters where an independent appraisal is not performed, valuations are updated by the use of a restricted use appraisal report that incorporates cash flow assumptions based on changes in market conditions. Appraisals and valuation policies are reviewed by a third-party valuation advisory firm, but do not necessarily reflect the price at which each asset would be sold, since market valuations can only ultimately be determined through negotiation between a willing buyer and seller. The primary investment objective is to achieve long-term capital appreciation.

The following table represents additional requirements at June 30, 2016 and 2015:

Unfunded Commitment	Redemption Frequency	Notice Period
None	Quarterly	60 days

## The ULI Foundation

### Notes to the Financial Statements

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#### Note 4. Fair Value Measurements (Continued)

**Timberland X Limited Partnership:** Timberland X Limited Partnership investments are based on ULIF's ownership percentage of the net asset value of the partnership, which is an unobservable input that is not corroborated by market data. More specifically, it is held at book value until the appraisal of the timber investment, which is within one year following its acquisition and each December thereafter. This valuation is reviewed by Timberland's Manager of Land Sales and Evaluations and ultimately approved by Timberland's Natural Resources Committee. The primary investment objective is to achieve long-term capital appreciation.

The following table represents additional requirements at June 30, 2016 and 2015:

Unfunded Commitment	Redemption Frequency	Notice Period
None	No redemption offered by the general partner, however, the units may be sold on the secondary transaction market.	None

**Private equity:** The valuation of ULIF's investments in the Hamilton Lane Private Equity VII A & B Funds is based on a percentage ownership of the net asset value of the funds and is not a quoted market price or an observable market-based input. Furthermore, the underlying investments within the funds are primarily private equity, for which market quotations are not available for valuation purposes. The General Partner estimates fair value of the assets using market-based present value and other subjective valuation techniques. However, these private equity assets are considered to be illiquid, and will only achieve liquidity as they are sold and proceeds are distributed to the fund. Therefore, the estimated fair value of these assets may differ significantly from the values that could have been realized in an actual sale. The primary investment objective is to achieve long-term capital appreciation.

The following table represents additional requirements at June 30, 2016 and 2015:

Unfunded Commitment	Redemption Frequency	Notice Period
Remaining commitments at June 30, 2016 and 2015, are \$193,650 and \$204,921, respectively.	No redemption offered by the general partner, however, the units may be sold on the secondary transaction market.	None

## The ULI Foundation

### Notes to the Financial Statements

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#### Note 5. Related Party Transactions

ULIF provides funds to ULI to support research, education and advisory service projects approved by the Board of Directors of ULIF. Contributions to ULIF are made primarily by ULI and ULI's members. At June 30, 2016 and 2015, ULIF owed \$7,607,139 and \$6,018,121, respectively, to ULI for funds to support research, education projects, and advisory services.

ULIF transfers 100% of funds raised through the annual fund program to ULI to support ongoing ULI programs. The funds classified as designated for ULI represent the unrestricted contributions raised through the annual fund program. Funds raised in each calendar year will be transferred to ULI between January 1 and June 30 of the following year. In return, ULI added to its annual budget all ULIF operating expenses, through the form of a contribution to ULIF, beginning with the year ended June 30, 2004. ULI's contribution for ULIF's operating expenses was \$672,318 and \$775,035 for the years ended June 30, 2016 and 2015, respectively. In addition to its coverage of ULIF's operating expenses, ULI also contributed \$422,093 to ULIF during the year ended June 30, 2016, in connection with the pass-through of a grant from the Natural Resources Defense Council. During the year ended June 30, 2015, ULI contributed \$171,306, as a result of ULI holding a gala event with the Foundation at ULI's 2014 New York Fall Meeting.

Amounts awarded to ULI by ULIF during the years ended June 30, 2016 and 2015, are as follows:

	2016	2015
ULI Foundation funding:		
ULI in the Community (Note 6 – Spending Policy) (1)	\$ 1,404,000	\$ 1,394,000
Third-party grants/endowments (2):		
Content	1,727,476	2,526,254
Fellows	244,536	-
Awards	809,135	495,411
District/national councils – support from ULI	201,941	286,377
ULI in the community – Laurence P. Smith estate	300,000	300,000
ULI in the community – Melvin Simon estate	385,893	-
ULI in the community – Content	21,658	-
Advisory services	70,000	25,000
District/national councils	321,716	299,665
Product councils	55,000	28,481
Meetings	12,500	13,743
Professional development	50,000	185,000
Publishing	170,000	190,000
	<u>4,369,855</u>	<u>4,349,931</u>
	<u>\$ 5,773,855</u>	<u>\$ 5,743,931</u>

(1) ULI in the Community is an array of research and education programs.

(2) Funds raised by ULIF include funds from individuals (primarily ULI members), annual fund, outside foundations, and other organizations.

Unconditional promises to give of \$1,620,165 and \$1,521,296 and contributions of \$293,326 and \$237,369 received from Board Members of ULI and ULIF and ULI employees are included in the accompanying balance sheets and statements of activities as of and for the years ended June 30, 2016 and 2015, respectively.

## The ULI Foundation

### Notes to the Financial Statements

#### Note 6. Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets include donor restricted and governor restricted funds, which are only available for specific program activities or general support designated for future years. Temporarily restricted net assets were released from restrictions by incurring expenses satisfying the program restriction or the passage of time.

Changes in temporarily restricted net assets during the years ended June 30, 2016 and 2015, were as follows:

	Balance June 30, 2015	Additions	Other Changes	Investment Losses	Released	Balance June 30, 2016
Content – governors	\$ 10,565,994	\$ 591,454	\$ -	\$ (116,744)	\$ (1,580,000)	\$ 9,460,704
Content – all other	13,790,177	862,895	-	(55,607)	(1,161,997)	13,435,468
Awards	7,023,475	283,487	-	(35,360)	(554,045)	6,717,557
District/national councils	344,118	300,000	-	-	(321,717)	322,401
Community outreach	180,282	491,386	-	-	(346,253)	325,415
Advisory services	85,683	183,620	-	-	(70,000)	199,303
Meetings	45,237	-	-	-	(12,500)	32,737
Magazine	11,414	-	-	(262)	(715)	10,437
	<u>\$ 32,046,380</u>	<u>\$ 2,712,842</u>	<u>\$ -</u>	<u>\$ (207,973)</u>	<u>\$ (4,047,227)</u>	<u>\$ 30,504,022</u>

	Balance June 30, 2014	Additions	Other Changes*	Investment Losses	Released	Balance June 30, 2015
Content – governors	\$ 11,147,785	\$ 1,027,009	\$ -	\$ (48,562)	\$ (1,560,238)	\$ 10,565,994
Content – all other	9,054,488	8,680,098	(2,298,457)	(24,726)	(1,621,226)	13,790,177
Awards	7,246,746	178,852	-	(11,348)	(390,775)	7,023,475
District/national councils	426,183	217,600	-	-	(299,665)	344,118
Community outreach	171,220	183,193	-	-	(174,131)	180,282
Advisory services	57,946	39,953	-	-	(12,216)	85,683
Meetings	58,980	-	-	-	(13,743)	45,237
Magazine	12,174	-	-	(80)	(680)	11,414
Publishing	10,000	10,000	-	-	(20,000)	-
	<u>\$ 28,185,522</u>	<u>\$ 10,336,705</u>	<u>\$ (2,298,457)</u>	<u>\$ (84,716)</u>	<u>\$ (4,092,674)</u>	<u>\$ 32,046,380</u>

\*\$1,022,518 temporarily restricted portion of J. Ronald Terwilliger's pledge was restructured and replaced by \$6,000,000 temporarily restricted endowment.

\$1,275,939 of Daniel Rose's \$5,000,000 pledge was transferred to the National League of Cities per mutual agreement with donor.

Donors designated certain net assets for specific purposes. Amounts designated may be extended, adjusted, or re-designated at the discretion of the donors.

## The ULI Foundation

### Notes to the Financial Statements

#### Note 6. Temporarily Restricted and Permanently Restricted Net Assets (Continued)

Changes in permanently restricted net assets during the years ended June 30, 2016 and 2015, were as follows:

	Balance June 30, 2015	Additions/ Other	Balance June 30, 2016
Governors	\$ 5,620,300	\$ 1,000	\$ 5,621,300
ULI/Joseph C. Canizaro/Klingbeil Family Chair for Urban Development	1,706,739	29,744	1,736,483
ULI/The McCoy Symposium on Real Estate Finance	321,109	(21,853)	299,256
ULI/Charles H. Shaw Symposium on Urban Community Issues	320,352	(20,445)	299,907
ULI/Carolyn and Preston Butcher Forum on Multi-family Housing	308,641	(8,641)	300,000
Heritage Society	65,000	-	65,000
ULI/Stan Ross Real Estate Trends Conference	104,926	5,007	109,933
Other	90,550	-	90,550
	<u>\$ 8,537,617</u>	<u>\$ (15,188)</u>	<u>\$ 8,522,429</u>

	Balance June 30, 2014	Additions/ Other	Balance June 30, 2015
Governors	\$ 5,618,300	\$ 2,000	\$ 5,620,300
ULI/Joseph C. Canizaro/Klingbeil Family Chair for Urban Development	1,685,124	21,615	1,706,739
ULI/J. Ronald Terwilliger Chair for Housing*	588,709	(588,709)	-
ULI/The McCoy Symposium on Real Estate Finance	339,992	(18,883)	321,109
ULI/Charles H. Shaw Symposium on Urban Community Issues	339,105	(18,753)	320,352
ULI/Carolyn and Preston Butcher Forum on Multi-family Housing	300,000	8,641	308,641
Heritage Society	65,000	-	65,000
ULI/Stan Ross Real Estate Trends Conference	100,732	4,194	104,926
Other	90,550	-	90,550
	<u>\$ 9,127,512</u>	<u>\$ (589,895)</u>	<u>\$ 8,537,617</u>

\*Restructured pledge; replaced by \$6,000,000 temporarily restricted endowment

## The ULI Foundation

### Notes to the Financial Statements

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#### Note 6. Temporarily Restricted and Permanently Restricted Net Assets (Continued)

**Interpretation of relevant law:** ULIF has interpreted the Washington, D.C. enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, ULIF classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. Accumulations to the donor-restricted endowment fund are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by ULIF in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, ULIF 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 ULIF and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other ULIF resources
- ULIF's investment policies

In addition, ULIF will follow the other UPMIFA rules for managing and investing endowment funds, including but not limited to the following additional factors:

- The expected tax consequences, if any, of investment decisions or strategies
- The role that each investment or course of action plays within the overall investment portfolio of the fund
- The needs of the institution and the fund to make distributions and to preserve capital
- An asset's special relationship or special value, if any, to the charitable purposes of the institution

**Spending policy:** From the governors' endowment, ULIF will appropriate for expenditure in its annual budget a percentage of the earnings up to 5% of the fair market value of these funds. There may be times when ULIF may opt not to take the spending rate but rather to reinvest some of the annual income. The transfer was \$1,404,000 and \$1,394,000 for the years ended June 30, 2016 and 2015, respectively.

From all other endowments, ULIF will appropriate based on the terms of the individual donor arrangements.

## The ULI Foundation

### Notes to the Financial Statements

#### Note 6. Temporarily Restricted and Permanently Restricted Net Assets (Continued)

Change in endowment net assets consists of the following for the years ended June 30, 2016 and 2015:

	Temporarily Restricted*	Permanently Restricted	2016 Total
Endowment net assets, beginning of year	\$ 29,315,007	\$ 8,537,617	\$ 37,852,624
Investment loss, net of investment expenses	(194,070)	(6,771)	(200,841)
Contributions	611,028	34,751	645,779
Change in other	206,143	(43,168)	162,975
Appropriation of governors endowments for expenditures	(1,404,000)	-	(1,404,000)
Appropriation of other endowments for expenditures	(1,094,776)	-	(1,094,776)
Change in endowment net assets	(1,875,675)	(15,188)	(1,890,863)
Endowment net assets, end of year	27,439,332	8,522,429	35,961,761
Less outstanding endowment pledges (see Note 2)	(13,052,605)	(872,380)	(13,924,985)
Net endowed funds	\$ 14,386,727	\$ 7,650,049	22,036,776
Non-endowed investment funds			15,578,200
Total investments			\$ 37,614,976

	Temporarily Restricted*	Permanently Restricted	2015 Total
Endowment net assets, beginning of year	\$ 24,594,096	\$ 9,127,512	\$ 33,721,608
Investment loss, net of investment expenses	(80,463)	(1,863)	(82,326)
Contributions	8,996,694	25,809	9,022,503
Grant restructure	(1,022,518)	(588,709)	(1,611,227)
Transfer of remainder contribution to National League of Cities	(1,275,939)	-	(1,275,939)
Change in other	-	(25,132)	(25,132)
Appropriation of governors endowments for expenditures	(1,394,000)	-	(1,394,000)
Appropriation of other endowments for expenditures	(502,863)	-	(502,863)
Change in endowment net assets	4,720,911	(589,895)	4,131,016
Endowment net assets, end of year	29,315,007	8,537,617	37,852,624
Less outstanding endowment pledges (see Note 2)	(13,137,568)	(846,628)	(13,984,196)
Net endowed funds	\$ 16,177,439	\$ 7,690,989	23,868,428
Non-endowed investment funds			14,181,591
Total investments			\$ 38,050,019

\*As of June 30, 2016 and 2015, total temporarily restricted net assets of \$30,504,022 and \$32,046,380, respectively, as reported in the accompanying balance sheets and statements of activities include both funds considered to be part of endowments and those classified as non-endowed funds. Non-endowed investment funds include contributions restricted for purpose by the donor, for which the corpus (total) of the contribution is expected to be used to fund the program expenses. Restricted contributions classified as endowment funds represent amounts for which the donor has the expectation that the corpus of the original donation will not be used; however, the donor has allowed ULIF to expend the corpus should it be necessary at such time in order to fund the program. The original donor contribution did not permanently restrict these funds, and as a result, amounts are classified as temporarily restricted.