

The ULI Foundation

Financial Report
June 30, 2017

Contents

Independent auditor's report	1
<hr/>	
Financial statements	
Balance sheets	2
Statement of activities – 2017	3
Statement of activities – 2016	4
Statements of cash flows	5
Notes to financial statements	6-19



Independent Auditor's Report

RSM US LLP

To the Members
The ULI Foundation

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, 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 The ULI Foundation as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Washington, D.C.
October 30, 2017

The ULI Foundation

Balance Sheets June 30, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 803,772	\$ 292,628
Unconditional promises to give, net (Note 2)	2,171,976	2,376,878
Accrued interest receivable	18,426	15,674
Total current assets	2,994,174	2,685,180
Investments (Notes 3 and 4)	41,891,426	37,614,976
Unconditional promises to give, net (Note 2)	13,323,962	13,163,947
	\$ 58,209,562	\$ 53,464,103
Liabilities and Net Assets		
Current liabilities:		
Due to ULI (Note 5)	\$ 9,266,349	\$ 7,607,139
Refundable advances	258,179	15,000
Total current liabilities	9,524,528	7,622,139
Commitments (Note 4)		
Net assets:		
Unrestricted:		
Undesignated	8,071,830	6,317,918
Designated for ULI (Note 5)	346,774	497,595
	8,418,604	6,815,513
Temporarily restricted (Note 6)	31,665,724	30,504,022
Permanently restricted (Note 6)	8,600,706	8,522,429
	48,685,034	45,841,964
	\$ 58,209,562	\$ 53,464,103

See notes to financial statements.

The ULI Foundation

Statement of Activities
 Year Ended June 30, 2017
 (With Comparative Totals for 2016)

	2017			Total	2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Contributions	\$ 913,179	\$ 2,945,355	\$ 37,555	\$ 3,896,089	\$ 3,385,941
Contribution from ULI (Note 5)	847,276	-	-	847,276	1,094,411
Interest and dividends, net of fees (Note 3)	175,954	374,904	16,095	566,953	855,551
Net assets released from restrictions (Note 6)	4,572,239	(4,496,918)	(75,321)	-	-
Total support and revenue	6,508,648	(1,176,659)	(21,671)	5,310,318	5,335,903
Expenses:					
Grants to ULI (Note 5)	5,274,842	-	-	5,274,842	5,773,855
Fundraising	738,545	-	-	738,545	534,673
General and administrative	484,978	-	-	484,978	257,918
Total expenses	6,498,365	-	-	6,498,365	6,566,446
Change in net assets before investment gain (loss)	10,283	(1,176,659)	(21,671)	(1,188,047)	(1,230,543)
Investment gain (loss) (Note 3)	1,592,808	2,338,361	99,948	4,031,117	(1,092,834)
Change in net assets	1,603,091	1,161,702	78,277	2,843,070	(2,323,377)
Net assets:					
Beginning	6,815,513	30,504,022	8,522,429	45,841,964	48,165,341
Ending	\$ 8,418,604	\$ 31,665,724	\$ 8,600,706	\$ 48,685,034	\$ 45,841,964

See notes to financial statements.

The ULI Foundation

Statement of Activities
Year Ended June 30, 2016

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Contributions	\$ 1,060,441	\$ 2,290,749	\$ 34,751	\$ 3,385,941
Contribution from ULI (Note 5)	672,318	422,093	-	1,094,411
Interest and dividends, net of fees (Note 3)	331,668	508,995	14,888	855,551
Net assets released from restrictions (Note 6)	4,090,395	(4,047,227)	(43,168)	-
Total support and revenue	6,154,822	(825,390)	6,471	5,335,903
Expenses:				
Grants to ULI (Note 5)	5,773,855	-	-	5,773,855
Fundraising	534,673	-	-	534,673
General and administrative	257,918	-	-	257,918
Total expenses	6,566,446	-	-	6,566,446
Change in net assets before investment loss	(411,624)	(825,390)	6,471	(1,230,543)
Investment loss (Note 3)	(354,207)	(716,968)	(21,659)	(1,092,834)
Change in net assets	(765,831)	(1,542,358)	(15,188)	(2,323,377)
Net assets:				
Beginning	7,581,344	32,046,380	8,537,617	48,165,341
Ending	\$ 6,815,513	\$ 30,504,022	\$ 8,522,429	\$ 45,841,964

See notes to financial statements.

The ULI Foundation

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 2,843,070	\$ (2,323,377)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	237,000	-
Change in present value discount on promises to give	(183,659)	(253,922)
Depreciation	-	5,878
Realized and unrealized (gain) loss on investments, net	(4,031,117)	1,092,834
Donated stock	(169,756)	(98,035)
Contributions restricted for long-term investment	(37,555)	(34,751)
Changes in assets and liabilities:		
(Increase) decrease in:		
Unconditional promises to give	(8,454)	264,822
Accrued interest receivable	(2,752)	8,810
Increase (decrease) in:		
Due to ULI	1,659,210	1,589,018
Refundable advances	243,179	(133,439)
Net cash provided by operating activities	549,166	117,838
Cash flows from investing activities:		
Purchase and sales of investments, net	(75,577)	(559,756)
Net cash used in investing activities	(75,577)	(559,756)
Cash flows from financing activities:		
Contributions restricted for long-term investment	37,555	34,751
Net cash provided by financing activities	37,555	34,751
Net increase (decrease) in cash	511,144	(407,167)
Cash:		
Beginning	292,628	699,795
Ending	\$ 803,772	\$ 292,628
Supplemental schedule of noncash investing and financing activity:		
Receipt of donated stock	\$ 169,756	\$ 98,035

See notes to financial statements.

The ULI Foundation

Notes to the Financial Statements

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 Affiliates.

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 2016, ULIF adopted 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)*, which 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. 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 sheets.

The ULI Foundation

Notes to the Financial Statements

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 2017 and 2016, 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, 2017 and 2016.

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.

Revocable contributions: ULIF is the beneficiary under various wills and other agreements. ULIF's share of such amounts is not recorded until ULIF has irrevocable right to the bequest and or funds. The revocable amounts received in these agreements are \$4,200,000 for the year ended June 30, 2016. There were no revocable amounts received during the year ended June 30, 2017. The cumulative revocable amounts as of June 30, 2017, are \$21,850,000.

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.

The ULI Foundation

Notes to the Financial Statements

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

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, 2017 and 2016.

ULIF is not aware of any uncertain tax positions and therefore, no tax liabilities have been recorded at June 30, 2017 and 2016. Generally, ULIF is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities before 2014.

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 adoption 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 30, 2017, which is the date financial statements were available to be issued.

Note 2. Unconditional Promises to Give

Unconditional promises to give at June 30, 2017 and 2016, consisted of the following:

	2017	2016
Unconditional promises to give in less than one year	\$ 2,171,976	\$ 2,411,878
Unconditional promises to give in one to five years	3,473,953	3,748,451
Unconditional promises to give due in lifetime or upon death of donor	14,146,168	13,860,314
Total unconditional promises to give	19,792,097	20,020,643
Less discount to net present value	4,111,159	4,294,818
Less provision for doubtful promises	185,000	185,000
Net unconditional promises to give	\$ 15,495,938	\$ 15,540,825

The ULI Foundation

Notes to the Financial Statements

Note 3. Investments

Investments at June 30, 2017 and 2016, consisted of the following:

	2017	2016
Mutual funds	\$ 15,953,699	\$ 14,384,449
Pooled funds – international equities	6,224,337	4,679,926
Pooled funds – emerging markets	4,495,907	3,947,041
Real estate - limited partnerships	4,325,516	4,195,706
Timberland X Limited Partnership	2,857,132	2,840,534
Common stock – domestic	2,427,922	2,082,606
Corporate bonds	2,711,020	1,924,017
Government bonds	1,290,584	1,333,205
Money market	506,934	1,095,891
Private equity	723,267	780,137
Certificates of deposit	375,108	351,464
	<u>\$ 41,891,426</u>	<u>\$ 37,614,976</u>

Total investment return for the years ended June 30, 2017 and 2016, consisted of the following components:

	2017	2016
Realized and unrealized gain (loss), net	<u>\$ 4,031,117</u>	<u>\$ (1,092,834)</u>
Interest and dividends	<u>\$ 566,953</u>	<u>\$ 855,551</u>

Interest and dividends are presented in operations and realized and unrealized gains and 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.

The ULI Foundation

Notes to the Financial Statements

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 Level 3 assets at June 30, 2017 and 2016. There were no liabilities subject to fair value measurement at June 30, 2017 and 2016.

ULIF recognizes transfers between levels at the end of each year for both transfers in and out of level classification. The Treasuries and corporate bonds were included as Level 1 on the schedule; however, due to a reassessment of liquidity, the funds have been changed to Level 2 on the schedules below. Similarly, certificates of deposit were previously included as a reconciling item on the schedule, and due to a reassessment of liquidity, are now included as a Level 2 investment. These funds totaled \$2,195,403 at June 30, 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, 2017:

	Total	Level 1	Level 2
Mutual funds:			
Equities	\$ 12,066,595	\$ 12,066,595	\$ -
Bonds	3,887,104	3,887,104	-
	<u>15,953,699</u>	<u>15,953,699</u>	<u>-</u>
Common stock:			
Basic materials	72,535	72,535	-
Consumer goods	771,896	771,896	-
Financial	411,125	411,125	-
Healthcare	327,185	327,185	-
Industrial goods	175,676	175,676	-
Energy	105,288	105,288	-
Services	102,036	102,036	-
Technology	380,643	380,643	-
Utilities	81,538	81,538	-
	<u>2,427,922</u>	<u>2,427,922</u>	<u>-</u>
Bonds:			
Agencies	717,920	-	717,920
Treasuries	572,664	-	572,664
Corporate	2,711,020	-	2,711,020
	<u>4,001,604</u>	<u>-</u>	<u>4,001,604</u>
Other:			
Money market funds	506,934	506,934	-
Certificates of deposit	375,108	-	375,108
	<u>882,042</u>	<u>506,934</u>	<u>375,108</u>
	23,265,267	\$ 18,888,555	\$ 4,376,712
Other investments measured at net asset value or its equivalent	<u>18,626,159</u>		
	<u>\$ 41,891,426</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, 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>-</u>	<u>3,257,222</u>
Other:			
Money market funds	1,095,891	1,095,891	-
Certificates of deposit	351,464	-	351,464
	<u>1,447,355</u>	<u>1,095,891</u>	<u>351,464</u>
	21,171,632	\$ 17,562,946	\$ 3,608,686
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)

Level 1 – valuation: The fair value of equity mutual funds, bond mutual funds, common stocks, 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, corporate bonds, U.S. Treasury bonds and certificates of deposit 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: Pooled funds – international equities, pooled funds – emerging markets, Timberland X Limited Partnership, real estate, real estate mutual funds, and private equity funds of \$18,626,159 and \$16,443,344 as of June 30, 2017 and 2016, 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, 2017 and 2016.

Real estate – limited partnerships: 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, 2017 and 2016:

Unfunded Commitment	Redemption Frequency	Notice Period
None	Quarterly	60 - 90 days

The ULI Foundation

Notes to the Financial Statements

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, 2017 and 2016:

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, 2017 and 2016:

Unfunded Commitment	Redemption Frequency	Notice Period
Remaining commitments at June 30, 2017 and 2016, are \$149,983 and \$193,650, 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

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, 2017 and 2016, ULIF owed \$9,266,349 and \$7,607,139, 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 \$847,276 and \$672,318 for the years ended June 30, 2017 and 2016, 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.

Amounts awarded to ULI by ULIF during the years ended June 30, 2017 and 2016, were as follows:

	2017	2016
ULI Foundation funding:		
ULI in the Community (Note 6 – Spending Policy) (1)	\$ 1,322,100	\$ 1,404,000
Third-party grants/endowments (2):		
Content	2,504,904	1,727,476
Awards	507,534	809,135
District/national councils	239,813	321,716
Publishing	174,310	170,000
Fellows	173,600	244,536
District/national councils – support from ULI	138,503	201,941
Advisory services	79,078	70,000
Communication	70,000	-
Professional development	50,000	50,000
Membership	15,000	-
ULI in the community – Laurence P. Smith estate	-	300,000
ULI in the community – Melvin Simon estate	-	385,893
ULI in the community – Content	-	21,658
Product councils	-	55,000
Meetings	-	12,500
	<u>3,952,742</u>	<u>4,369,855</u>
	<u>\$ 5,274,842</u>	<u>\$ 5,773,855</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 \$1,700,696 and \$1,620,165 and contributions of \$549,285 and \$293,326 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, 2017 and 2016, 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, 2017 and 2016, were as follows:

	Balance June 30, 2016	Additions	Investment Gains	Released	Balance June 30, 2017
Content – governors	\$ 9,460,704	\$ 558,128	\$ 1,654,730	\$ (1,812,800)	\$ 9,860,762
Content – all other	13,435,468	1,738,495	650,759	(1,642,711)	14,182,011
Awards	6,717,557	282,764	404,619	(458,500)	6,946,440
District/national councils	322,401	214,726	-	(229,209)	307,918
Community outreach	325,415	105,492	-	(314,140)	116,767
Advisory services	199,303	45,750	-	(27,656)	217,397
Meetings	32,737	-	-	(10,602)	22,135
Magazine	10,437	-	3,157	(1,300)	12,294
	<u>\$ 30,504,022</u>	<u>\$ 2,945,355</u>	<u>\$ 2,713,265</u>	<u>\$ (4,496,918)</u>	<u>\$ 31,665,724</u>

	Balance June 30, 2015	Additions	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>\$ (207,973)</u>	<u>\$ (4,047,227)</u>	<u>\$ 30,504,022</u>

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, 2017 and 2016, were as follows:

	Balance June 30, 2016	Additions/ Other	Balance June 30, 2017
Governors	\$ 5,621,300	\$ (28,000)	\$ 5,593,300
ULI/Joseph C. Canizaro/Klingbeil Family Chair for Urban Development	1,736,483	32,978	1,769,461
ULI/The McCoy Symposium on Real Estate Finance	299,256	23,940	323,196
ULI/Charles H. Shaw Symposium on Urban Community Issues	299,907	22,321	322,228
ULI/Carolyn and Preston Butcher Forum on Multi-family Housing	300,000	22,461	322,461
Heritage Society	65,000	-	65,000
ULI/Stan Ross Real Estate Trends Conference	109,933	4,577	114,510
Other	90,550	-	90,550
	<u>\$ 8,522,429</u>	<u>\$ 78,277</u>	<u>\$ 8,600,706</u>
	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>

The ULI Foundation

Notes to the Financial Statements

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 \$1,322,100 and \$1,404,000 for the years ended June 30, 2017 and 2016, 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 consisted of the following for the years ended June 30, 2017 and 2016:

	Temporarily Restricted*	Permanently Restricted	2017 Total
Endowment net assets, beginning of year	\$ 27,439,332	\$ 8,522,429	\$ 35,961,761
Investment gain, net of investment expenses	2,549,588	116,043	2,665,631
Contributions	764,985	37,555	802,540
Change in other	(96,445)	(75,321)	(171,766)
Appropriation of governors endowments for expenditures	(1,322,100)	-	(1,322,100)
Appropriation of other endowments for expenditures	(861,691)	-	(861,691)
Change in endowment net assets	1,034,337	78,277	1,112,614
Endowment net assets, end of year	28,473,669	8,600,706	37,074,375
Less outstanding endowment pledges (see Note 2)	(12,340,093)	(881,637)	(13,221,730)
Net endowed funds	\$ 16,133,576	\$ 7,719,069	\$ 23,852,645
Non-endowed investment funds			18,038,781
Total investments			\$ 41,891,426
	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

*As of June 30, 2017 and 2016, total temporarily restricted net assets of \$31,665,724 and \$30,504,022, 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.