

NATIONAL AUCTIONEERS FOUNDATION

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

For the Years Ended May 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
National Auctioneers Foundation
Overland Park, KS

We have audited the accompanying financial statements of the National Auctioneers Foundation (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of May 31, 2016 and 2015, and 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.

INDEPENDENT AUDITORS' REPORT (continued)

To the Board of Trustees
National Auctioneers Foundation
Overland Park, KS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Auctioneers Foundation as of May 31, 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.

Marr and Company

Marr and Company, P.C.
Certified Public Accountants

Kansas City, Missouri
December 12, 2016

NATIONAL AUCTIONEERS FOUNDATION

STATEMENTS OF FINANCIAL POSITION

As of May 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current Assets:		
Cash & Cash Equivalents	\$ 216,845	\$ 194,558
Restricted Cash	895	0
Prepaid Expenses	<u>24,000</u>	<u>24,000</u>
Total Current Assets	241,740	218,558
Capital Assets:		
Hall of History Fixtures	90,948	90,948
Accumulated Depreciation	<u>(89,211)</u>	<u>(88,118)</u>
Capital Assets, net	1,737	2,830
Noncurrent Assets:		
Permanently Restricted Certificate of Deposit	0	85,000
Long-term Investments	1,096,505	948,442
Intangible Assets - trademarks	55,600	55,600
Prepaid Expenses - noncurrent portion	<u>366,000</u>	<u>390,000</u>
TOTAL ASSETS	\$ <u>1,761,582</u>	\$ <u>1,700,430</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accrued Expenses	\$ <u>1,170</u>	\$ <u>0</u>
Total Current Liabilities	1,170	0
Net Assets:		
Unrestricted Net Assets	765,208	767,893
Temporarily Restricted Net Assets	64,811	73,673
Permanently Restricted Net Assets	<u>930,393</u>	<u>858,864</u>
Total Net Assets	<u>1,760,412</u>	<u>1,700,430</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,761,582</u>	\$ <u>1,700,430</u>

See accompanying Independent Auditors' Report and notes to these financial statements.

NATIONAL AUCTIONEERS FOUNDATION

STATEMENT OF ACTIVITIES For the Year Ended May 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
<u>SUPPORT, REVENUE & OTHER INCOME</u>				
Contributions	\$ 173,731	\$ 0	\$ 0	\$ 173,731
Auction Proceeds Revenue	11,557	0	0	11,557
Conferences & Sponsorships	582	0	0	582
Investment Income	1,686	288	(13,811)	(11,837)
Miscellaneous Income	<u>358</u>	<u>0</u>	<u>0</u>	<u>358</u>
Total Support, Revenue & Other Income	187,914	288	(13,811)	174,666
<u>EXPENSES</u>				
Bank Charges	3,547	0	0	3,547
Board Meetings	1,189	0	0	1,189
Children's Auction	3,170	0	0	3,170
Conventions & Conferences	915	0	0	915
Affiliate Funding	25,000	0	0	25,000
Fund Raising Expenses	2,259	0	0	2,259
Insurance	750	0	0	750
Legal & Professional	8,431	0	0	8,431
Investment Advisory fees	8,740	0	0	8,740
Museum Operations	539	0	0	539
Depreciation	1,093	0	0	1,093
Office Supplies	402	0	0	402
Occupancy Rent	24,000	0	0	24,000
Postage	535	0	0	535
Scholarships Paid	8,440	0	0	8,440
Management Fees Expense	25,000	0	0	25,000
Miscellaneous	<u>399</u>	<u>0</u>	<u>0</u>	<u>399</u>
Total Expenses	114,409	0	0	114,409
Net Assets Released from Restrictions	8,751	0	(8,751)	0
Board designation transfer (Note 5)	<u>(84,941)</u>	<u>(9,150)</u>	<u>94,091</u>	<u>0</u>
Change in Net Assets	(2,685)	(8,862)	71,529	59,982
NET ASSETS, Beginning of Year	<u>767,893</u>	<u>73,673</u>	<u>858,864</u>	<u>1,700,430</u>
NET ASSETS, End of Year	<u>\$ 765,208</u>	<u>\$ 64,811</u>	<u>\$ 930,393</u>	<u>\$ 1,760,412</u>

See accompanying Independent Auditors' Report and notes to these financial statements.

NATIONAL AUCTIONEERS FOUNDATION

STATEMENT OF ACTIVITIES For the Year Ended May 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
<u>SUPPORT, REVENUE & OTHER INCOME</u>				
Contributions	\$ 100,694	\$ 0	\$ 0	\$ 100,694
Noncash Contributions	8,977	0	0	8,977
Contributions for Scholarship & Education	12,192	0	0	12,192
Auction Proceeds Revenue	950	3,763	29,286	33,999
Conferences & Sponsorships	<u>255</u>	<u>0</u>	<u>0</u>	<u>255</u>
Investment Income	123,068	3,763	29,286	156,117
Total Support, Revenue & Other Income				
 <u>EXPENSES</u>				
	2,536	0	0	2,536
Bank Charges	1,689	0	0	1,689
Board Meetings	1,072	0	0	1,072
Children's Auction	6,710	0	0	6,710
Conventions & Conferences	13,982	0	0	13,982
Affiliate Funding	750	0	0	750
Fund Raising Expenses	12,524	0	0	12,524
Insurance	7,659	0	0	7,659
Legal & Professional	440	0	0	440
Investment Advisory fees	1,093	0	0	1,093
Maintenance & Repairs	322	0	0	322
Museum Operations	24,000	0	0	24,000
Depreciation	720	0	0	720
Office Supplies	717	0	0	717
Occupancy Rent	3,120	0	0	3,120
Postage	10,328	0	0	10,328
Promotional	131,250	0	0	131,250
Scholarships Paid	25,000	0	0	25,000
Management Fees Expense	<u>332</u>	<u>0</u>	<u>0</u>	<u>332</u>
Total Expenses	244,244	0	0	244,244
Net Assets Released from Restrictions	217,359	(210,000)	(7,359)	0
Board designation transfer (Note 5)	<u>(86,430)</u>	<u>18,008</u>	<u>68,422</u>	<u>0</u>
Change in Net Assets	9,753	(188,229)	90,349	(88,127)
NET ASSETS, Beginning of Year	<u>758,140</u>	<u>261,902</u>	<u>768,515</u>	<u>1,788,557</u>
NET ASSETS, End of Year	\$ <u>767,893</u>	\$ <u>73,673</u>	\$ <u>858,864</u>	\$ <u>1,700,430</u>

See accompanying Independent Auditors' Report and notes to these financial statements.

NATIONAL AUCTIONEERS FOUNDATION

STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Cash Flows from Operating Activities</u>		
Changes in Net Assets	\$ 59,982	\$ (88,127)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,093	1,094
Gain/Loss on Asset Held for Sale	0	131,250
Changes in Assets and Liabilities:		
(Increase)/Decrease in —		
Restricted Cash	(895)	0
Prepaid Expenses	24,000	24,000
Increase/(Decrease) in —		
Accrued Expenses	<u>1,170</u>	<u>0</u>
Net Cash from Operating Activities	85,350	68,217
<u>Cash Flows from Investing Activities</u>		
Proceeds from Sale of Asset	0	78,750
Net Change in Investments	<u>(63,063)</u>	<u>(112,896)</u>
Net Cash from Investing Activities	<u>(63,063)</u>	<u>(34,146)</u>
Net Increase/(Decrease) in Cash	22,287	34,071
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>194,558</u>	<u>160,487</u>
CASH AND CASH EQUIVALENTS - End of Year	\$ <u>216,845</u>	\$ <u>194,558</u>

See accompanying Independent Auditors' Report and notes to these financial statements.

NATIONAL AUCTIONEERS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

May 31, 2016 and 2015

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NATIONAL AUCTIONEERS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

May 31, 2016 and 2015

NOTE 1: NATURE OF ORGANIZATION

National Auctioneers Foundation (the “Foundation”) was formed as a not-for-profit organization on April 26, 1984, in Lincoln, Nebraska for the purpose of acquiring and exhibiting historical and educational materials, providing education and instruction on the auction method of marketing real and personal property and on the historic, present and future roles of auctioneers. The Foundation was previously doing business as the National Auctioneers Association Foundation and officially changed its operating name to National Auctioneers Foundation in 2014. The primary source of funds for the Foundation is contributions through fund raising efforts from the National Auctioneers Association members and the general public.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statement Presentation

The Foundation has complied with Accounting Standards Codification (ASC) Topic 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*. ASC 958-205 requires that all not-for-profit organizations provide a statement of financial position, a statement of activities and a statement of cash flows. ASC 958-205 also requires reporting amounts for the organization’s total assets, liabilities and net assets in a statement of financial position and reporting the change in an organization’s net assets in a statement of activities.

ASC 958-205 requires classification of an organization’s net assets and its revenues, expenses and gains and losses based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets be displayed in a statement of financial position and that the amounts of change in each of these classes of net assets be displayed in a statement of activities. Listed below is a brief description of each class of net assets.

Unrestricted Net Assets

Unrestricted net assets include those currently available at the discretion of the board of trustees for use in the Foundation’s operations in accordance with its bylaws.

Temporarily Restricted Net Assets

Temporarily restricted net assets include those gifts of cash and other assets which are stipulated by donors for specific operating purposes, special projects or the restriction is satisfied either by the passage of time or by actions of the Foundation. Investment income earned on a temporarily restricted contribution is also included in temporarily restricted net assets.

Permanently Restricted Net Assets

Permanently restricted net assets include those restricted by donors in perpetuity as endowments or irrevocable trusts. Investment income earned is classified as temporarily restricted net assets until their intended use is satisfied and re-classed as released from restrictions.

B. Basis of Accounting

The financial statements are presented on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The accrual basis of accounting recognizes revenues and assets when earned and liabilities and expenses when incurred.

NATIONAL AUCTIONEERS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

May 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Income Taxes

The Foundation is exempt from income tax under Section 501 (C)(3) of the Internal Revenue Code. The Foundation has been classified as a publicly-supported entity which is not a private foundation under Section 509(a) of the Code.

The Foundation has complied with the provisions of the FASB ASC 740-10 as it might apply to the Foundation's financial transactions. The Foundation's policy is to record a liability for any tax position that is beneficial to the Foundation, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of May 31, 2016 and, accordingly, no liability has been accrued.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all demand deposit accounts and highly liquid money market investments with an original maturity of three months or less to be cash and cash equivalent. These accounts held at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. As of May 31, 2016 and 2015, no portion of the Foundation's funds exceeded the FDIC limits and were subject to credit risk.

E. Capital Assets

Equipment and fixtures are recorded at cost and depreciated over the estimated useful life of the assets using a straight line depreciation method. For the years ended May 31, 2016 and 2015, depreciation expense was \$1,093 and \$1,094, respectively. It is the foundation's policy to capitalize equipment and fixtures over \$1,000.

F. Intangible Assets

Intangible assets are recorded at cost and will be amortized over their estimated useful lives. However, the trademarks are renewable indefinitely and thus no amortization has been recorded as of statement of financial position date.

G. Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence or nature or any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

NATIONAL AUCTIONEERS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

May 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Contributions (continued)

Donated items and contributed services are reflected as contributions at their estimated values at date of receipt. Items received by the Foundation to be sold in an auction or other similar event are not recorded at the time of donation. The sale price is recorded as a contribution at the time of the event. Individuals and businesses making donations are asked to estimate the value of the items contributed.

H. Collections

In accordance with FASB ASC 958-360-25-3, the Foundation elected no capitalization of its collections. The collections are made up of artifacts of historical significance that are held for educational, research and curatorial purposes. Each of the items is preserved and cared for, and activities verifying their existence and assessing their condition is performed. The collections are subject to a policy that requires proceeds from their sale to be used to acquire other items for collections.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from these estimates.

J. Risk Management

The Foundation is exposed to various risks of loss from torts, theft of, damage to and destruction of assets, business interruptions, errors and omissions, and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

K. Subsequent Events

ASC 855-10 establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events. As a result of this guidance, management has evaluated subsequent events to December 12, 2016, which is the issue date of the financial statements.

NATIONAL AUCTIONEERS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

May 31, 2016 and 2015

NOTE 3: RESTRICTED ASSETS

As of May 31, 2016 and 2015, the Foundation held restricted assets for the following purposes:

	2016	2015
Temporarily restricted:		
Cash for scholarships	\$ 895	\$ 0
Permanently restricted:		
Certificate of Deposit for scholarships	0	85,000
Total restricted assets	\$ 895	\$ 85,000

NOTE 4: PREPAID EXPENSES - RENT

The Foundation entered into an operating lease agreement with the National Auctioneers Association (the "Association") in September 2007 to rent office and administrative space from the Association. The Foundation uses the space to fulfill and achieve the Foundation's defined mission. The terms of the agreement were 25 years with monthly lease payments of \$2,000 and the right to prepay the rent and any cancellation prior to the end of the lease term would require an agreement between the Foundation and the Association to a pro-rated settlement amount. The Foundation prepaid the full lease obligation by November 2009. As of May 31, 2016 and 2015, the prepaid rent was as follows:

	2016	2015
Current portion	\$ 24,000	\$ 24,000
Noncurrent portion	366,000	390,000
Total	\$ 390,000	\$ 414,000

Rent expense was \$24,000 for the years ended May 31, 2016 and 2015.

NOTE 5: INVESTMENTS

As of May 31, 2016 and 2015, the Foundation held investments with the following restrictions:

	2016	2015
Unrestricted purposes	\$ 101,301	\$ 100,905
Temporarily restricted for scholarships	64,811	73,673
Permanently restricted for scholarships	86,349	0
Permanently restricted for endowment	844,044	773,864
Total Investments	\$ 1,096,505	\$ 948,442

During the fiscal year ended May 31, 2015, the Board of Trustees approved \$86,430 of unrestricted operating funds to be designated as temporarily and permanently restricted and transferred into the investment accounts.

During the fiscal year ended May 31, 2016, the Board of Trustees approved \$94,091 of unrestricted operating funds to be designated as permanently restricted and transferred into the investment accounts, with \$92,671 for the endowment and \$1,420 for scholarships.

NATIONAL AUCTIONEERS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

May 31, 2016 and 2015

NOTE 5: INVESTMENTS (continued)

The Foundation has adopted ASC 820, Fair Value Measurements and Disclosures. ASC 820 sets forth fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The standard describes three levels of inputs that may be used to measure fair value.

Level 1 - Inputs are unadjusted, quoted market prices in active, independent markets for identical assets and liabilities.

Level 2 - Inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded or other external independent means

Level 3 - Inputs are unobservable and reflect assumptions on the part of the reporting entity.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following sets forth information about the level within the fair value hierarchy at which the Foundation's financial assets are measured on a recurring basis at May 31, 2016.

<u>Investments</u>	<u>Fair Value</u>	<u>Quote Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money Market	\$ 946	\$ 946	\$ 0	\$ 0
Equities Funds:				
Domestic Certificates of Deposit	145,731	145,731	0	0
Domestic Mutual Funds	<u>949,828</u>	<u>949,828</u>	<u>0</u>	<u>0</u>
Total Equities Funds	<u>1,095,559</u>	<u>1,095,559</u>	<u>0</u>	<u>0</u>
Total Investments	<u>\$ 1,096,505</u>	<u>\$ 1,096,505</u>	<u>\$ 0</u>	<u>\$ 0</u>

For the years ended May 31, 2016 and 2015, the Foundation recognized investment income as follows.

	<u>2016</u>	<u>2015</u>
Interest & dividends	\$ 85,146	\$ 59,480
Realized gains/(losses)	0	0
Unrealized gains/(losses)	<u>(96,983)</u>	<u>(25,481)</u>
Total Investment Income	<u>\$ (11,837)</u>	<u>\$ 33,999</u>

NATIONAL AUCTIONEERS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

May 31, 2016 and 2015

NOTE 6: ENDOWMENT

In 2006, the Foundation initiated an \$8,000,000 campaign to raise funds for the purpose of an endowment for research (\$4,000,000), for public relations to promote the auction industry (\$2,500,000), to create a new and virtual museum (\$1,000,000), and for renovations to the headquarters' building (\$500,000). The campaign was to continue through 2011 and was premised upon the ability of the Foundation to raise the \$8,000,000. The Foundation was only able to raise \$2,820,000 in pledges and that amount was not totally collected. Most funds collected were used as the campaign designated.

The Foundation Board of Trustees determined that all projects that could be funded, had been funded and that the remaining funds should be placed in a permanent endowment as a source of future income to further the exempt purposes of the Foundation. The Foundation Board mailed letters to all campaign donors to inform them of the shortfall and the change. The donors were asked for comments and concerns and the Foundation did not receive any. To further clarify its position, in August 2012 the Board petitioned the District Court of Johnson County, Kansas to approve the modification of the purpose for which the remaining funds were to be used. The Court ruled in favor of the Foundation.

The State of Kansas adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The board of trustees of the Foundation has interpreted the 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 the interpretation, the Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) subsequent gifts to the endowment, and (3) 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 Foundation considers the following factors:

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

The Foundation has adopted investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while ensuring that the purchasing powers of the endowment assets do not decline over time. To satisfy its long-term rate of return objective, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The Foundation desires a portfolio of investments having moderate relative volatility and moderate level of risk as outlined in the Foundation's investment policy. These earnings are classified as temporarily restricted net assets until exported for their intended use. The Foundation did not establish a formal spending policy because the Board of Trustees intends to grow the Endowment fund to \$1,000,000 by reinvesting the earnings and contributions without required disbursements. Once the fund reaches the desired goal, the Board plans to evaluate a spending policy at that time.

All endowment funds are classified as permanently restricted net assets on the statement of financial position (see Note 8).

NATIONAL AUCTIONEERS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

May 31, 2016 and 2015

NOTE 6: ENDOWMENT (continued)

Changes in endowment net assets as of May 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Endowment net assets, beginning of year	\$ 773,864	\$ 683,515
Contributions	700	0
Board designation transfer	92,671	68,422
Investment income	80,559	54,348
Net appreciation	(94,999)	(25,062)
Amounts appropriated for expenditure	<u>(8,751)</u>	<u>(7,359)</u>
Endowment net assets, end of year	<u>\$ 844,044</u>	<u>\$ 773,864</u>

NOTE 7: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of cash, investments, and land held for the following purposes as of May 31, 2016 and 2015, and reflect any restricted net assets that were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors.

	<u>5/31/2014</u>		<u>5/31/2014</u>		<u>Restrictions</u>		<u>5/31/2015</u>
	<u>Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Released</u>	<u>Released</u>	<u>Balance</u>	
Scholarship funds	\$ 51,902	\$ 3,685	\$ (4,402)	\$ 0	\$ 0	\$ 51,185	
Museum operations	0	18,086	4,402	0	0	22,488	
Land held for sale	<u>210,000</u>	<u>0</u>	<u>0</u>	<u>(210,000)</u>	<u>(210,000)</u>	<u>0</u>	
	<u>\$ 261,902</u>	<u>\$ 21,771</u>	<u>\$ 0</u>	<u>\$ (210,000)</u>	<u>\$ (210,000)</u>	<u>\$ 73,673</u>	

	<u>5/31/2015</u>		<u>5/31/2015</u>		<u>Restrictions</u>		<u>5/31/2016</u>
	<u>Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Released</u>	<u>Released</u>	<u>Balance</u>	
Scholarship funds	\$ 51,185	\$ 473	\$ (6,503)	\$ 0	\$ 0	\$ 45,155	
Museum operations	<u>22,488</u>	<u>90</u>	<u>(2,922)</u>	<u>0</u>	<u>0</u>	<u>19,656</u>	
	<u>\$ 73,673</u>	<u>\$ 563</u>	<u>\$ (9,425)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 64,811</u>	

NOTE 8: PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of investments and certificate of deposit and were held for the following purposes as of May 31, 2016 and 2015, noting no permanently restricted net assets were released from restrictions.

	<u>5/31/2014</u>		<u>5/31/2014</u>		<u>Restrictions</u>		<u>5/31/2015</u>
	<u>Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Released</u>	<u>Released</u>	<u>Balance</u>	
Scholarship fund – McCool	\$ 85,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 85,000	
Endowment fund	<u>683,515</u>	<u>29,286</u>	<u>68,422</u>	<u>(7,359)</u>	<u>(7,359)</u>	<u>773,864</u>	
	<u>\$ 768,515</u>	<u>\$ 29,286</u>	<u>\$ 68,422</u>	<u>\$ (7,359)</u>	<u>\$ (7,359)</u>	<u>\$ 858,864</u>	

NATIONAL AUCTIONEERS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

May 31, 2016 and 2015

NOTE 8: PERMANENTLY RESTRICTED NET ASSETS (continued)

	5/31/2015			Restrictions	5/31/2016
	<u>Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Released</u>	<u>Balance</u>
Scholarship fund – McCool	\$ 85,000	\$ (71)	\$ 1,420	\$ 0	\$ 86,349
Endowment fund	<u>773,864</u>	<u>(13,740)</u>	<u>92,671</u>	<u>(8,751)</u>	<u>844,044</u>
	<u>\$ 858,864</u>	<u>\$ (13,811)</u>	<u>\$ 94,091</u>	<u>\$ (8,751)</u>	<u>\$ 930,393</u>

NOTE 9: FUNCTIONAL EXPENSES

For the years ended May 31, 2016 and 2015, expenses incurred were as follows:

	<u>2016</u>	<u>2015</u>
Program Expense	\$ 40,740	\$ 10,420
Management & General	57,663	61,066
Fund Raising	<u>16,006</u>	<u>172,758</u>
Total Expenses	<u>\$ 114,409</u>	<u>\$ 244,244</u>

NOTE 10: RELATED PARTY TRANSACTIONS AND LONG-TERM COMMITMENTS

The Foundation engages the National Auctioneers Association (the “Association”) to perform business and financial services concerning the Foundation’s essential financial and operational aspects. The Foundation also rents facility and equipment space from the Association (see Note 4). The Foundation is controlled independently of the Association and the Association frequently receives contributions on behalf of the Foundation. The Foundation signed a management agreement in September 2013 at a cost of \$25,000 annually for three years effective August 2013 through July 2016. The services provided remained unchanged from the previous agreement. Subsequent to the year ended May 31, 2016, the Foundation renewed the management agreement in July 2016 at a cost of \$25,000 annually for three years effective August 2016 through July 2019. For the years ending May 31, 2016 and 2015, payments made to the Association by the Foundation are as follows:

	<u>2016</u>	<u>2015</u>
Rent (Note 4)	\$ 24,000	\$ 24,000
Management Fees	25,000	25,000
Underwriter for publication of educational book	<u>25,000</u>	<u>0</u>
	<u>\$ 74,000</u>	<u>\$ 49,000</u>

Future minimum payments under the agreements listed above for the years ended May 31 are as follows:

2017	\$ 25,000
2018	25,000
2019	25,000
2020	<u>4,167</u>
	<u>\$ 79,167</u>

NATIONAL AUCTIONEERS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

May 31, 2016 and 2015

NOTE 11: CONCENTRATION

The Foundation is related to the Association that shares a membership base. In the event the related party is terminated, the Foundation's ability to continue as a going concern would be greatly diminished.

NOTE 12: LAND HELD FOR SALE

In March 2014, the Foundation received a vacant lot from the Association to be auctioned in September 2014. The land was appraised for \$210,000 and recorded as a temporarily restricted contribution in the Statement of Activities for the year ended May 31, 2014. The Foundation completed the live public auction on September 10, 2014 with a gross sales price of \$78,750 resulting in a loss on sale totaling \$131,250.