



# Foundation

## Financial Statements

*For the Years Ended December 31, 2016 and 2015*



**and  
Report Thereon**





*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the  
SHRM Foundation

We have audited the accompanying financial statements of the SHRM Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets 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 audits 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 SHRM Foundation as of December 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.

*Raffa, P.C.*

**Raffa, P.C.**

Washington, DC  
May 31, 2017

**SHRM FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2016 and 2015**

	2016	2015
<b>ASSETS</b>		
Current assets		
Cash	\$ 519,093	\$ 1,009,056
Short-term investments	689,731	1,206,833
Due from affiliate	203,062	290,744
Contributions receivable	91,757	49,448
Interest receivable	27,625	27,246
Total Current Assets	1,531,268	2,583,327
Contributions receivable, net of current portion	84,725	31,249
Long-term investments	16,683,954	15,808,518
<b>TOTAL ASSETS</b>	<b>\$ 18,299,947</b>	<b>\$ 18,423,094</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 268,281	\$ 282,582
Due to affiliate	106,638	642,433
Total Current Liabilities	374,919	925,015
Accrued pension cost	605,153	577,552
<b>TOTAL LIABILITIES</b>	<b>980,072</b>	<b>1,502,567</b>
Net Assets		
Unrestricted		
Undesignated	14,648,309	14,196,091
Board designated – M.R. Losey Fund	550,000	550,000
Board designated – Susan R. Meisinger Fellowship Fund	150,000	150,000
Total Unrestricted Net Assets	15,348,309	14,896,091
Temporarily Restricted	1,140,770	1,257,345
Permanently Restricted	830,796	767,091
<b>TOTAL NET ASSETS</b>	<b>17,319,875</b>	<b>16,920,527</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 18,299,947</b>	<b>\$ 18,423,094</b>

The accompanying notes are an integral part of these financial statements.

**SHRM FOUNDATION**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>				
Contributions from affiliates	\$ 1,298,357	\$ -	\$ -	\$ 1,298,357
Contributions and sponsorships	998,233	76,750	55,000	1,129,983
Contract services and other	264	-	-	264
Investment income allocated to operations	503,424	-	-	503,424
Net assets released from restrictions:				
Satisfaction of program restrictions	282,068	(282,068)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	3,082,346	(205,318)	55,000	2,932,028
<b>EXPENSES</b>				
Program Services:				
Grants, awards and scholarships	1,486,521	-	-	1,486,521
Other programs	604,872	-	-	604,872
Total Program Services	2,091,393	-	-	2,091,393
Supporting Services:				
General and administrative	357,566	-	-	357,566
Fundraising	261,422	-	-	261,422
Total Supporting Services	618,988	-	-	618,988
<b>TOTAL EXPENSES</b>	2,710,381	-	-	2,710,381
Change in net assets from operations	371,965	(205,318)	55,000	221,647
Non-operating activity				
Investment income, net	611,265	88,743	8,705	708,713
Investment income allocated to operations	(503,424)	-	-	(503,424)
Total Investment Income in Excess of Amounts Designated for Operations	107,841	88,743	8,705	205,289
<b>CHANGE IN NET ASSETS</b>	479,806	(116,575)	63,705	426,936
Pension-related charges other than net periodic pension cost	(27,588)	-	-	(27,588)
<b>NET ASSETS, BEGINNING OF YEAR</b>	14,896,091	1,257,345	767,091	16,920,527
<b>NET ASSETS, END OF YEAR</b>	\$ 15,348,309	\$ 1,140,770	\$ 830,796	\$ 17,319,875

The accompanying notes are an integral part of these financial statements.

**SHRM FOUNDATION**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>				
Contributions from affiliates	\$ 1,524,849	\$ -	\$ -	\$ 1,524,849
Contributions and sponsorships	1,004,081	12,525	99,591	1,116,197
Contract services and other	4,472	-	-	4,472
Investment income allocated to operations	424,800	-	-	424,800
Net assets released from restrictions:				
Satisfaction of program restrictions	672,867	(672,867)	-	-
	3,631,069	(660,342)	99,591	3,070,318
<b>TOTAL REVENUE AND SUPPORT</b>				
<b>EXPENSES</b>				
Program Services:				
Grants, awards and scholarships	2,165,731	-	-	2,165,731
Other programs	471,748	-	-	471,748
	2,637,479	-	-	2,637,479
Total Program Services				
Supporting Services:				
General and administrative	374,106	-	-	374,106
Fundraising	296,832	-	-	296,832
	670,938	-	-	670,938
Total Supporting Services				
<b>TOTAL EXPENSES</b>	<b>3,308,417</b>	<b>-</b>	<b>-</b>	<b>3,308,417</b>
Change in net assets from operations	322,652	(660,342)	99,591	(238,099)
Non-operating activity				
Investment income (loss), net	(562,879)	(91,856)	-	(654,735)
Investment income allocated to operations	(424,800)	-	-	(424,800)
	(987,679)	(91,856)	-	(1,079,535)
Total Investment Income (Loss) in Excess of Amounts Designated for Operations				
<b>CHANGE IN NET ASSETS</b>	<b>(665,027)</b>	<b>(752,198)</b>	<b>99,591</b>	<b>(1,317,634)</b>
Pension-related changes other than net periodic pension cost	(138,040)	-	-	(138,040)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>15,699,158</b>	<b>2,009,543</b>	<b>667,500</b>	<b>18,376,201</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 14,896,091</b>	<b>\$ 1,257,345</b>	<b>\$ 767,091</b>	<b>\$ 16,920,527</b>

The accompanying notes are an integral part of these financial statements.

**SHRM FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2016 and 2015**

	2016	2015
INCREASE (DECREASE) IN CASH		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 426,936	\$ (1,317,634)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Pension-related changes other than net periodic pension cost	(27,588)	(138,040)
Unrealized (gains) losses on investments	(257,559)	290,982
Realized (gains) losses on investments	(110,431)	807,369
Changes in assets and liabilities:		
Due from affiliate	87,682	(73,390)
Contributions receivable	(95,785)	1,109,310
Interest receivable	(379)	(6,568)
Accounts payable and accrued expenses	(14,301)	(35,097)
Deferred revenue	-	(44,975)
Due to affiliate	(535,795)	622,141
Accrued pension cost	27,601	137,826
	<u>(499,619)</u>	<u>1,351,924</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(9,014,442)	(12,032,594)
Proceeds from the sale of investments	9,024,098	10,995,597
	<u>9,656</u>	<u>(1,036,997)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>9,656</u>	<u>(1,036,997)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(489,963)	314,927
<b>CASH, BEGINNING OF YEAR</b>	<u>1,009,056</u>	<u>694,129</u>
<b>CASH, END OF YEAR</b>	<u>\$ 519,093</u>	<u>\$ 1,009,056</u>

The accompanying notes are an integral part of these financial statements.

## SHRM FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2016 and 2015

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#### 1. Organization and Summary of Significant Accounting Policies

##### Organization

SHRM Foundation (the Foundation) was incorporated on December 1, 1966 under the laws of Ohio, in the United States of America. The Foundation advances global HR knowledge and drives practice through thought leadership and educational support and by funding and delivering progressive, actionable, evidence-based research. The Foundation's vision is to be the globally recognized catalyst for shaping HR thought leadership and research. The activities of the Foundation are funded primarily through contributions from SHRM and individuals.

The Foundation is an affiliate of the Society for Human Resource Management (SHRM). SHRM's Board of Directors is required to elect the directors of the Foundation's Board. As a result, the Foundation's financial activity is included in SHRM's audited consolidated financial statements.

##### Investments

Investments consist of various types of equities, fixed income investments and cash and cash equivalents that are part of the Foundation's investment portfolio. Cash and cash equivalents held in long-term investments are classified based on the investment strategy of the fund under which the cash and cash equivalents are managed. These investments are recorded in the accompanying financial statements at their fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

##### Fair Value Measurement

In accordance with the accounting standards for fair value measurement for those assets and liabilities that are measured at fair value on a recurring basis, the Foundation has categorized its applicable financial instruments into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

##### Level 1

Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Foundation has the ability to access.

##### Level 2

Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

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## SHRM FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2016 and 2015

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#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### Fair Value Measurement (continued)

##### Level 3

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

##### Classification of Net Assets

The net assets of the Foundation are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the Foundation's operations or that have been designated by the Board for a particular purpose.
- Temporarily restricted net assets represent amounts specifically restricted by donors for various programs or future periods and unappropriated investment earnings on the endowment.
- Permanently restricted net assets represent amounts that include donor-imposed restrictions that stipulate that the resources be maintained in perpetuity and that only the earnings on such amounts be used in the manner specified by the donor.

##### Revenue Recognition

The Foundation reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated asset. 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 accompanying statements of activities and changes in net assets as net assets released from restrictions. Temporarily restricted revenue that is spent in the same year as it was earned is shown as unrestricted revenue.

Unrestricted contributions are reported as revenue in the year in which payments are received and/or unconditional promises are made. Unconditional contributions that have been promised but not yet received are reflected as contributions receivable in the accompanying statements of financial position.

##### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services based upon estimates deemed to justify the benefits received by those programs and supporting services.



**SHRM FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2016 and 2015**

**1. Organization and Summary of Significant Accounting Policies (continued)**

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investment Income Allocation to Operations

The Foundation's spending policy allows for an annual allocation of investment income to support operations while preserving the long-term earning power of the investments. At the Board of Directors' discretion, the annual allocation may be up to 4% of the five year moving average balance of the investment reserve market value as of December 31 of the prior year. For the years ended December 31, 2016 and 2015, the Foundation allocated to operations 4.0% and 3.6%, respectively, of this five year moving average balance.

**2. Investments**

The following table summarizes the Foundation's investments measured at fair value on a recurring basis as of December 31, 2016, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Total Fair Value</u>	<u>Quoted 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>
<u>Short-term investments</u>				
Cash and cash equivalents	\$ 79,173	\$ 79,173	\$ -	\$ -
Fixed income:				
Short-term bond fund	<u>610,558</u>	<u>610,558</u>	<u>-</u>	<u>-</u>
Total short-term investments	<u>689,731</u>	<u>689,731</u>	<u>-</u>	<u>-</u>
<u>Long-term investments</u>				
Cash and cash equivalents	485,578	485,578	-	-
Fixed income:				
Intermediate	2,481,985	228,086	2,253,899	-
International	494,617	494,617	-	-
High yield	500,802	500,802	-	-
Core <sup>(a)</sup>	869,676	26,618	843,058	-

Continued

**SHRM FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2016 and 2015**

**2. Investments (continued)**

	<u>Total Fair Value</u>	<u>Quoted 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>
<u>Long-term investments</u>				
<u>(continued)</u>				
U.S. equities <sup>(b)</sup> :				
All-cap	\$ 356,280	\$ 356,280	\$ -	\$ -
Large-cap	3,009,378	3,009,378	-	-
SMID-cap	770,807	770,807	-	-
International equities <sup>(c)</sup> :				
Global demographics	624,317	624,317	-	-
Developed markets	2,078,568	2,078,568	-	-
Emerging markets	413,779	413,779	-	-
Alternatives <sup>(d)</sup> :				
Absolute return hedge	4,414,511	4,414,511	-	-
Real assets	<u>183,656</u>	<u>183,656</u>	<u>-</u>	<u>-</u>
Total long-term investments	<u>16,683,954</u>	<u>13,586,997</u>	<u>3,096,957</u>	<u>-</u>
Total investments	<u>\$ 17,373,685</u>	<u>\$ 14,276,728</u>	<u>\$ 3,096,957</u>	<u>\$ -</u>

The following table summarizes the Foundation's investments measured at fair value on a recurring basis as of December 31, 2015, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Total Fair Value</u>	<u>Quoted 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>
<u>Short-term investments</u>				
Cash and cash equivalents	\$ 600,079	\$ 600,079	\$ -	\$ -
Fixed income:				
Short-term bond fund	<u>606,754</u>	<u>606,754</u>	<u>-</u>	<u>-</u>
Total short-term investments	<u>1,206,833</u>	<u>1,206,833</u>	<u>-</u>	<u>-</u>

Continued

**SHRM FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2016 and 2015**

**2. Investments (continued)**

	<u>Total Fair Value</u>	<u>Quoted 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>
<u>Long-term investments</u>				
Cash and cash equivalents	\$ 134,588	\$ 134,588	\$ -	\$ -
Fixed income:				
Intermediate	2,446,471	193,477	2,252,994	-
International	468,022	468,022	-	-
High yield	317,257	317,257	-	-
Core <sup>(a)</sup>	823,730	25,826	797,904	-
U.S. equities <sup>(b)</sup> :				
All-cap	1,449,140	1,449,140	-	-
Large-cap	2,601,467	2,601,467	-	-
International equities <sup>(c)</sup> :				
Global demographics	610,083	610,083	-	-
Developed markets	2,062,552	2,062,552	-	-
Emerging markets	411,664	411,664	-	-
Alternatives <sup>(d)</sup> :				
Absolute return hedge	4,304,328	4,304,328	-	-
Real assets	<u>179,216</u>	<u>179,216</u>	<u>-</u>	<u>-</u>
Total long-term investments	<u>15,808,518</u>	<u>12,757,620</u>	<u>3,050,898</u>	<u>-</u>
Total investments	<u>\$ 17,015,351</u>	<u>\$ 13,964,453</u>	<u>\$ 3,050,898</u>	<u>\$ -</u>

(a) Fixed income core consists of asset-backed securities, bond mutual funds and government securities. The strategy invests in diversified securities to minimize risk and maximize return.

(b) U.S. equities consist of common stock and equity mutual funds with strategies of investing in various U.S. companies.

(c) International equities consist of common stocks and equity mutual funds with the strategy of investing in developed and emerging markets outside the United States. Global demographics consist of common stocks, equity mutual funds and unit investment trusts with the strategy of investing in global resource themes.

(d) Alternatives consist of mutual funds that pursue their investment objectives by investing in other mutual funds.

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## SHRM FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2016 and 2015

#### 2. Investments (continued)

Investment returns for the year ended December 31, 2016, are summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest, dividends and capital gain distributions	\$ 381,468	\$ 59,700	\$ -	\$ 441,168
Realized gains	94,840	15,591	-	110,431
Unrealized gains	221,577	27,277	8,705	257,559
Management fees	<u>(86,620)</u>	<u>(13,825)</u>	<u>-</u>	<u>(100,445)</u>
Total	<u>\$ 611,265</u>	<u>\$ 88,743</u>	<u>\$ 8,705</u>	<u>\$ 708,713</u>

Investment returns for the year ended December 31, 2015, are summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest, dividends and capital gain distributions	\$ 472,755	\$ 73,587	\$ -	\$ 546,342
Realized losses	(686,853)	(120,516)	-	(807,369)
Unrealized losses	(260,374)	(30,608)	-	(290,982)
Management fees	<u>(88,407)</u>	<u>(14,319)</u>	<u>-</u>	<u>(102,726)</u>
Total	<u>\$ (562,879)</u>	<u>\$ (91,856)</u>	<u>\$ -</u>	<u>\$ (654,735)</u>

#### 3. Commitments and Risks

##### Grant Commitments

The Foundation funds various grants for research projects. Obligated commitments by the Foundation under such grants as of December 31, 2016 and 2015, were \$445,035 and \$667,336, respectively. As the amount of the liability for grant payments is contingent upon the performance of the grant specifications, this amount has not been reflected as a liability in the accompanying financial statements.

##### Concentration of Credit Risk

The Foundation maintains its cash and cash equivalents with SunTrust Bank, which aggregate balance may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2016 and 2015, the Foundation had approximately \$541,000 and \$1,119,000 comprised of a noninterest-bearing transaction account, which exceeded the maximum limit insured by the FDIC by approximately \$291,000 and \$869,000, respectively. The Foundation monitors the credit worthiness of this institution and has not experienced any historical credit losses on its cash and cash equivalents.

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## SHRM FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2016 and 2015

#### 4. Net Assets

##### Unrestricted

##### Undesignated

Undesignated net assets represent unrestricted net assets of the Foundation as of December 31, 2016 and 2015.

##### Board Designated

The Board of Directors of the Foundation has established two separate funds, the M.R. Losey Fund and the Susan R. Meisinger Fellowship Fund. The funds of the board designated M.R. Losey Fund, which totaled \$550,000 at December 31, 2016 and 2015, are to provide additional support to fund the annual M.R. Losey Fund award. This award is currently funded by existing temporarily restricted funds as described in the temporarily restricted section of this note. The funds in the board designated Susan R. Meisinger Fellowship Fund, which totaled \$150,000 at December 31, 2016 and 2015, are to be used to support the related permanently restricted fund of the same name as described in the permanently restricted section of this note. Such funds are reflected as unrestricted-board designated net assets in the accompanying statements of financial position. Board designated funds and the investment earnings on those funds may only be spent upon specific appropriation by the Board of Directors of the Foundation.

##### Temporarily Restricted

Temporarily restricted net assets were available for the following purposes as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Alfred P. Sloan Foundation – Workforce Aging	\$ -	\$ 167,806
M.R. Losey Fund award and earnings	954,794	938,679
Scholarship Fund	102,775	50,866
Susan R. Meisinger Fellowship Fund earnings	<u>83,201</u>	<u>99,994</u>
Total	<u>\$ 1,140,770</u>	<u>\$ 1,257,345</u>

The Alfred P. Sloan Foundation grant supported the advancement of research and applied human resource policies to identify, understand and solve workforce aging issues. There were no donor restrictions on the investment earnings of the Alfred P. Sloan Foundation grant. As a result, such investment earnings are included in unrestricted net assets. The Foundation presents the M.R. Losey Human Resource Research award annually to an individual who has demonstrated significant contributions to the field of professional human resource management. As required by the donors, investment earnings on the M.R. Losey Fund award are included in temporarily restricted net assets. The Scholarship Fund includes multiple individual scholarships awarded annually in support of learning for HR professionals with each scholarship term varying from one to five years.

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**SHRM FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2016 and 2015**

**4. Net Assets (continued)**

Permanently Restricted

The Foundation's permanently restricted endowment funds as of December 31, 2016 and 2015, were as follows:

	2016	2015
Susan R. Meisinger Fellowship Fund	\$ 359,811	\$ 351,106
General endowment	250,000	250,000
Endowed Scholarship funds	220,985	165,985
Total	\$ 830,796	\$ 767,091

The Susan R. Meisinger Fellowship Fund was established in 2008 from a contribution of \$200,000 from SHRM and \$150,000 from a third party. Interest and dividends on these funds are to be used to support an annual award of up to \$10,000 for at least one selected graduate student in the field of human resources. Unrealized gains and losses are included in permanently restricted net assets. Any losses in excess of cumulative unrealized gains and losses reduce temporarily restricted earnings, where available, or unrestricted net assets until recovered in future years when there are unrealized gains.

The Foundation's general endowment was established in 2007 from a contribution from SHRM. In accordance with the specifications of the gift, all earnings on these funds are to be available to support the general operations of the Foundation and are therefore included in unrestricted support in the accompanying statements of activities and changes in net assets.

The Endowed Scholarship funds were established in 2014 for the sponsorship of scholarships for academic studies, SHRM certification, and professional development. Interest and dividends on these funds are to be used to support an annual award to individuals in the field of human resources. Investment gains and losses are included in temporarily restricted net assets. Any losses in excess of the original gift reduce temporarily restricted net assets until recovered in future years when there are unrealized gains.

Endowments

For the year ended December 31, 2016, the Foundation had the following endowment related activities:

	Board Designated	Temporarily Restricted	Permanently Restricted
Net assets, beginning of year	\$ 700,000	\$ 97,585	\$ 767,091
Contributions	-	-	55,000
Investment earnings (loss), net of investment management fees	-	21,172	8,705
Appropriations	-	(35,556)	-
Net assets, end of year	\$ 700,000	\$ 83,201	\$ 830,796

Continued

**SHRM FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2016 and 2015**

**4. Net Assets (continued)**

Endowments (continued)

As of December 31, 2016, the Foundation's endowments had the following net asset composition:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 83,201	\$ 830,796	\$ 913,997
Board designated	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>700,000</u>
Endowment net assets, end of year	<u>\$ 700,000</u>	<u>\$ 83,201</u>	<u>\$ 830,796</u>	<u>\$ 1,613,997</u>

For the year ended December 31, 2015, the Foundation had the following endowment related activities:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Net assets, beginning of year	\$ 700,000	\$ 143,329	\$ 667,500
Contributions	-	-	99,591
Investment earnings, net of investment management fees	-	(15,754)	-
Appropriations	-	(18,550)	-
Net appreciation (depreciation)	<u>-</u>	<u>(11,440)</u>	<u>-</u>
Net assets, end of year	<u>\$ 700,000</u>	<u>\$ 97,585</u>	<u>\$ 767,091</u>

As of December 31, 2015, the Foundation's endowments had the following net asset composition:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 97,585	\$ 767,091	\$ 864,676
Board designated	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>700,000</u>
Endowment net assets, end of year	<u>\$ 700,000</u>	<u>\$ 97,585</u>	<u>\$ 767,091</u>	<u>\$ 1,564,676</u>

As of December 31, 2016 and 2015, the portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by the Uniform Prudent Management of Institutional Funds Act (UPMIFA) was \$830,796 and \$767,091, respectively.

As of December 31, 2016 and 2015, the portion of perpetual endowment funds subject to a time restriction under the UPMIFA was \$83,201 and \$97,585, respectively.

## SHRM FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2016 and 2015

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#### 4. Net Assets (continued)

##### Interpretation of Relevant Law

The Board of Directors 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 this interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. Investment returns on permanently restricted endowments are classified in accordance with donor specifications. When no specifications are outlined by the donor, investment earnings are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the UPMIFA.

##### Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity as well as board designated funds. Under the Foundation's investment policies and objectives, as approved by the Board of Directors, the primary emphasis of the endowment assets is the preservation of capital with secondary emphasis on growth of principal and income. The assets must be invested with care, skill and diligence that a prudent person acting in this capacity would undertake. Over a three to five year period, the Foundation strives to achieve a rate of return after fees which, in aggregate, exceeds the weighted average return of the applicable market indices. The Foundation seeks a rate of return which exceeds the inflation rate, as measured by the consumer price index (CPI), by at least 3 percentage points per year.

##### Strategies Employed for Achieving Objectives

To satisfy its long-term return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation which is reviewed quarterly. The Foundation's target asset allocation includes 46.5% equities, 25% fixed income and 28.5% alternatives.

##### Spending Policy

In accordance with donor instructions, earnings on the general endowment are considered available to support the general operations of the Foundation and are therefore recognized as unrestricted support. Earnings up to \$10,000 annually from interest and dividends on the Susan R. Meisinger Fellowship permanent endowment are to be available to support an annual award of up to \$10,000 with a maximum of up to \$20,000 per graduate student over a two year period. Realized gains and unrealized appreciation are required by the donor of the Susan R. Meisinger fellowship to be re-invested in this permanently restricted fund. The Foundation's policy is to record temporarily restricted revenue that is earned and spent in the same year as unrestricted revenue. For the years ended December 31, 2016 and 2015, no temporarily restricted revenue was earned and spent in the same year.



## SHRM FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2016 and 2015

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#### 4. Net Assets (continued)

##### Funds with Deficiencies

From time to time, the fair value of assets associated with permanently restricted endowment funds may fall below the level that the donors require to be retained as a fund of perpetual duration. As of December 31, 2016 and 2015, deficiencies of this nature totaled zero and \$2,409, respectively, and are the result of unfavorable market fluctuations. This amount has been reported as a reduction in temporarily restricted earnings as required by generally accepted accounting principles.

#### 5. Affiliates and Related Party

The Foundation is an affiliate of and related to the Society for Human Resource Management (SHRM), a nonprofit organization as defined in Section 501(c)(6) of the Internal Revenue Code (IRC). SHRM's Board of Directors is required to elect the directors of the Foundation's Board. As a result, the Foundation's financial activity is included in SHRM's audited consolidated financial statements.

SHRM provides the Foundation with financial management services including assistance in the preparation and review of the annual operating budget of the Foundation and signature authority on the Foundation's bank accounts. Under the terms of an operating agreement between the Foundation and SHRM, SHRM provides office space and equipment and professional and administrative services to the Foundation. Additionally, the employees of the Foundation are covered by the benefit plans of SHRM which include a defined benefit plan and a defined contribution plan. SHRM receives certain contributions from its members designated for the Foundation and also collects cash receipts from publication sales on behalf of the Foundation. The organizations also incur other costs on behalf of each other through daily operations. Such costs are subsequently reimbursed.

During the years ended December 31, 2016 and 2015, the Foundation received donated services from SHRM with an estimated fair value of \$302,420 and \$336,800, respectively, which are included in contributions from affiliates in the accompanying statements of activities and changes in net assets.

The operating agreement between the Foundation and SHRM states that SHRM shall make an annual contribution to the Foundation of \$100,000. Additionally, SHRM shall match fifty cents per-dollar (i.e., 50%) on the amount of annual contribution income received by the Foundation; provided that such matching funds from SHRM shall be subject to an annual cap established by SHRM each year, after consultation with the Foundation Chair and Executive Director, as part of SHRM's budget process. For 2016 and 2015, SHRM made a general purpose contribution of \$200,000 and \$400,000, respectively, to assist with operations. For both 2016 and 2015, SHRM agreed to contribute an additional \$120,000 to be used for marketing purposes. The Foundation received \$984,992 and \$1,178,099 from SHRM for the years ended December 31, 2016 and 2015, respectively, under these provisions of the operating agreement of which SHRM owed the Foundation \$203,062 and \$290,744 as of

## SHRM FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2016 and 2015

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#### 5. Affiliates and Related Party (continued)

December 31, 2016 and 2015, respectively. Additionally, the terms of the operating agreement provide that SHRM will provide complimentary conference registrations for the SHRM Annual Conference for all Foundation Board members who can attend. The value of such complimentary conference registrations provided by SHRM to the Foundation during the years ended December 31, 2016 and 2015, was \$10,945 and \$9,950, respectively. The complimentary conference registrations are included in contributions from affiliates in the accompanying statements of activities and changes in net assets.

During the year ended December 31, 2016, the Foundation purchased seven annual conference registrations for scholarships from SHRM for \$6,200. During the year ended December 31, 2015, SHRM earned \$2,500 from the Foundation for the SHRM Annual Conference Student Orientation.

Effective January 1, 2012 and 2014, the Foundation entered into agreements with SHRM, whereby SHRM provides project management oversight, development and delivery of educational programs under the Foundation's two Alfred P. Sloan Foundation grants. During the years ended December 31, 2016 and 2015, the Foundation received \$103,008 and \$301,107, respectively, in services from SHRM under these agreements. As of December 31, 2016 and 2015, SHRM was owed \$6,540 and \$24,373, respectively, from the Foundation related to these agreements, which is included in due to affiliate in the accompanying statements of financial position. Additionally, the Foundation shares miscellaneous services with SHRM that result in amounts owed between the organizations. For the years ended December 31, 2016 and 2015, SHRM was owed \$100,098 and \$618,060, respectively, related to these services which are included in due to affiliate in the accompanying statements of financial position.

The contribution due from SHRM totaling \$203,062 and \$290,744 as of December 31, 2016 and 2015, respectively, is due within one year and is included in due from affiliates in the accompanying statements of financial position.

The Foundation is also related to, but not an affiliate of, the Council for Global Immigration (CFG), a nonprofit organization as defined in Section 501(c)(6) of the Internal Revenue Code, through a common member of the Board of Directors and SHRM. There were no transactions or agreements between the Foundation and CFGI during the years ended December 31, 2016 and 2015.

The Foundation is also related to but not an affiliate of, HR People and Strategy, Inc. (HRPS), a nonprofit organization as defined in Section 501(c)(3) of the IRC and an affiliate of SHRM, through a common member of the Board of Directors and SHRM. There were no transactions or agreements between the Foundation and HRPS during the years ended December 31, 2016 and 2015.

**SHRM FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2016 and 2015**

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**6. Pension Plans**

Pension Plan and Trust

The Foundation's employees who meet certain eligibility requirements participate in SHRM's Pension Plan and Trust, a noncontributory defined benefit pension plan. The Foundation's interest in the plan for the years ended December 31, 2016 and 2015, is calculated by the actuary for the plan.

The measurement date for the following actuarial information was December 31.

Obligations and Funded Status

	2016	2015
Projected benefit obligation at December 31	\$ (1,657,264)	\$ (1,432,420)
Fair value of plan assets at December 31	1,052,111	854,868
Funded status	\$ (605,153)	\$ (577,522)

The accumulated benefit obligation was \$2,444,556 and \$2,207,760 as of December 31, 2016 and 2015, respectively.

Amounts recognized in the accompanying statements of financial position consist of the following as of December 31, 2016 and 2015, respectively:

	2016	2015
Accrued pension asset (cost) (non-current)	\$ (605,153)	\$ (577,522)

Amounts not yet recognized as a component of net periodic pension cost and included in unrestricted net assets as of December 31, 2016 and 2015, include the following:

	2016	2015
Net loss	\$ 587,451	\$ 559,628
Prior service cost	556	791
Total	\$ 588,007	\$ 560,419

Amounts recognized in the accompanying statements of activities consist of the following for the years ended December 31, 2016 and 2015, respectively:

	2016	2015
Net periodic pension cost	\$ (164,513)	\$ (120,783)

**SHRM FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2016 and 2015**

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**6. Pension Plans (continued)**

Obligations and Funded Status (continued)

Total contributions and benefits paid for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Employer contributions	\$ 164,500	\$ 121,000
Benefits paid	\$ 21,096	\$ 21,096

Assumptions

Weighted average assumptions used in determining the net periodic pension cost for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Discount rate	4.07%	3.73%
Expected long-term return on plan assets	7.00%	7.00%
Rate of compensation increase	3.50%	3.50%

Weighted average assumptions used in determining the benefit obligation for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Discount rate	3.86%	4.07%
Expected long-term return on plan assets	7.00%	7.00%
Rate of compensation increase	3.50%	3.50%

The plan's approach to determine the overall expected long-term rate of return is to use its best estimate based upon the historical average of the real rate of return, net of inflation.

Plan Assets

The plan's weighted average asset allocation as of December 31, 2016 and 2015, by asset category, was as follows:

	2016	2015
Fixed income	43%	43%
Equity	41%	41%
Other <sup>(1)</sup>	12%	11%
Real estate <sup>(1)</sup>	4%	5%
Total	100%	100%

Continued

**SHRM FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2016 and 2015**

**6. Pension Plans (continued)**

Plan Assets (continued)

SHRM's target asset allocation is as follows:

	2016	2015
Fixed income	43%	43%
Equity	41%	41%
Other <sup>(1)</sup>	11%	11%
Real estate <sup>(1)</sup>	5%	5%
Total	100%	100%

(1) All "Real estate" and "Other" investments are made via publicly traded mutual funds, exchange traded funds or exchange traded notes and are Level 1 securities.

SHRM uses a long-term risk controlled approach using diversified investment options in a prudent manner for the purpose of meeting future benefit payment obligations.

The fair value of the Foundation's pension plan assets at December 31, 2016, by asset class is as follows:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity funds:				
Large-cap	\$ 227,496	\$ 227,496	\$ -	\$ -
Small to mid-cap	85,226	85,226	-	-
International	120,889	120,889	-	-
Fixed income:				
Bond mutual funds	272,269	272,269	-	-
Corporate bonds	82,947	-	82,947	-
Marketable alternative funds	155,089	155,089	-	-
Cash and cash equivalents	108,195	108,195	-	-
Total	\$ 1,052,111	\$ 969,164	\$ 82,947	\$ -

Continued

**SHRM FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2016 and 2015**

**6. Pension Plans (continued)**

Plan Assets (continued)

The fair value of the Foundation's pension plan assets at December 31, 2015, by asset class is as follows:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity funds:				
Large-cap	\$ 193,375	\$ 193,375	\$ -	\$ -
Small to mid-cap	68,384	68,384	-	-
International	98,472	98,472	-	-
Fixed income:				
Bond mutual funds	235,756	235,756	-	-
Corporate bonds	80,800	-	80,800	-
Marketable alternative funds	122,332	122,332	-	-
Cash and cash equivalents	55,749	55,749	-	-
Total	\$ 854,868	\$ 774,068	\$ 80,800	\$ -

Contributions

Generally, the Foundation's funding policy is to contribute annually an amount in accordance with ERISA guidelines. Based upon projections from the actuary, management of the Foundation expects to contribute \$166,000 to the SHRM Pension Plan and Trust during the year ending December 31, 2017.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid during the next ten years:

For the Year Ending December 31,	
2017	\$ 55,814
2018	\$ 100,540
2019	\$ 35,049
2020	\$ 27,588
2021	\$ 23,921
2022 - 2026	\$ 1,991,443

## SHRM FOUNDATION

### NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2016 and 2015

#### 6. Pension Plans (continued)

##### Other Information

Other changes in plan assets and benefit obligations recognized in other than net periodic pension cost are as follows for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Net loss	\$ 27,823	\$ 138,275
Prior service credit	<u>(235)</u>	<u>(235)</u>
Total	<u>\$ 27,588</u>	<u>\$ 138,040</u>

Amounts in unrestricted net assets expected to be amortized into net periodic pension cost during the year ending December 31, 2017 consist of:

Net loss	\$ 24,288
Prior service cost	<u>235</u>
Total	<u>\$ 24,523</u>

No plan assets are expected to be returned to the Foundation during 2016.

##### Incentive Savings 401(k) Plan

SHRM sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code which covers the employees of the Foundation. Under the 401(k) plan, effective February 1, 1985, eligible employees may elect to contribute up to the Federal tax limitation. The plan requires an annual employer contribution of 50% of the first 6% of each participant's contribution to the 401(k) plan. The Foundation made additional discretionary employer contributions of 1% and 2% for the years ended December 31, 2016 and 2015, respectively. The Foundation's total contributions to the 401(k) plan for the years ended December 31, 2016 and 2015 were \$23,401 and \$31,387, respectively.

#### 7. Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. No provision for federal income taxes is required for the years ended December 31, 2016 and 2015, as the Foundation had no net unrelated business income.

Effective January 1, 2009, the Foundation adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. The Foundation evaluated its uncertainty in income taxes for the years ended December 31, 2016 and 2015, and determined that there were no matters that would

**SHRM FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2016 and 2015**

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**7. Income Taxes (continued)**

require recognition in the financial statements or which may have any effect on its tax-exempt status. As of December 31, 2016, the statute of limitations for tax years ended December 31, 2013 through December 31, 2015 remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which the Foundation files tax returns. It is the Foundation's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense.

**8. Reclassifications**

Certain 2015 amounts have been reclassified to conform with the 2016 financial statement presentation.

**9. Subsequent Events**

The Foundation's management has evaluated subsequent events through May 31, 2017, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.