

# **Kuali Foundation, Inc.**

Independent Auditor's Report and Financial Statements

June 30, 2015 and 2014

# Kuali Foundation, Inc.

June 30, 2015 and 2014

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## Independent Auditor's Report on Financial Statements and Supplementary Information

Board of Directors  
Kuali Foundation, Inc.  
Indianapolis, Indiana

We have audited the accompanying financial statements of Kuali Foundation, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, 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.

***Basis for Qualified Opinion***

As described in Note 7, the Foundation has stated its convertible note receivable from Kualu, Inc. at cost in the accompanying 2015 statement of financial position. Accounting principles generally accepted in the United States of America require debt securities to be stated at fair value. The effects on the 2015 financial statements have not been determined.

***Qualified Opinion on 2015 and Unmodified Opinion on 2014***

In our opinion, except for the effects on the 2015 financial statements of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Kualu Foundation, Inc. as of June 30, 2015 and 2014, 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.

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of contributions receivable listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**BKD, LLP**

Indianapolis, Indiana  
November 9, 2015

**Kuali Foundation, Inc.**  
**Statements of Financial Position**  
**June 30, 2015 and 2014**

**Assets**

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 3,151,248	\$ 1,742,497
Investments	-	4,500,000
Accounts receivable	629,838	50,542
Kuali, Inc. note receivable	1,051,911	-
Contributions receivable - fair value option	5,940,895	19,583,889
Prepaid expenses and other assets	63,944	72,313
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 10,837,836</u>	<u>\$ 25,949,241</u>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable and accrued expenses	\$ 328,085	\$ 776,337
Deferred income	1,096,708	719,578
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>1,424,793</u>	<u>1,495,915</u>

**Net Assets**

Unrestricted	1,000,213	648,158
Temporarily restricted	8,412,830	23,805,168
	<u>                    </u>	<u>                    </u>
Total net assets	<u>9,413,043</u>	<u>24,453,326</u>
	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u>\$ 10,837,836</u>	<u>\$ 25,949,241</u>

**Kuali Foundation, Inc.**  
**Statements of Activities**  
**Years Ended June 30, 2015 and 2014**

	2015		Total
	Unrestricted	Temporarily Restricted	
<b>Revenue and Support</b>			
In-kind contributions			
Kuali Financial System	\$ -	\$ 870,000	\$ 870,000
Kuali Coeus	-	420,000	420,000
Kuali RICE	-	500,000	500,000
Kuali Student	-	-	-
Kuali Student 2.0	-	3,607,500	3,607,500
Kuali OLE	-	100,000	100,000
Kuali Mobility	-	-	-
Kuali People Management for the Enterprise (KPME)	-	-	-
Kuali UXI	-	-	-
Kuali KSFA	-	-	-
Total in-kind contributions	<u>-</u>	<u>5,497,500</u>	<u>5,497,500</u>
Project partner dues			
Kuali Financial System	-	1,845,000	1,845,000
Kuali Coeus	-	2,210,438	2,210,438
Kuali RICE	-	800,000	800,000
Kuali Student	-	77,651	77,651
Kuali Student 2.0	-	5,350,000	5,350,000
Kuali OLE	-	1,167,000	1,167,000
Kuali Ready & Ready Project Services	-	20,000	20,000
Kuali Mobility	-	-	-
Kuali UXI	-	-	-
Kuali KSFA	-	10,000	10,000
Total project partner dues	<u>-</u>	<u>11,480,089</u>	<u>11,480,089</u>
Project services - Kuali Ready	<u>-</u>	<u>706,875</u>	<u>706,875</u>
Other contributions and contract services	<u>437,582</u>	<u>510,715</u>	<u>948,297</u>
Total gross contribution revenue	437,582	18,195,179	18,632,761
Change in fair value	<u>-</u>	<u>(3,072,968)</u>	<u>(3,072,968)</u>
Total net contribution revenue	<u>437,582</u>	<u>15,122,211</u>	<u>15,559,793</u>
Kuali Days	482,413	-	482,413
Kuali Community Workshop	28,539	-	28,539
KS 1.0 Residual Funds	99,214	-	99,214
Membership dues	1,125,441	-	1,125,441
Interest and other income	22,443	-	22,443
Total revenue	<u>2,195,632</u>	<u>15,122,211</u>	<u>17,317,843</u>
Net assets released from restrictions	<u>18,818,061</u>	<u>(18,818,061)</u>	<u>-</u>
Total revenue and other support	<u>21,013,693</u>	<u>(3,695,850)</u>	<u>17,317,843</u>
<b>Expenses</b>			
Project expenses			
Kuali Financial System	1,951,018	-	1,951,018
Kuali Coeus	2,741,731	-	2,741,731
Kuali RICE	1,948,476	-	1,948,476
Kuali Student	5,630,125	-	5,630,125
Kuali Student 2.0	2,820,804	-	2,820,804
Kuali OLE	1,360,331	-	1,360,331
Kuali Ready & Ready Project Services	974,750	-	974,750
Kuali Mobility	165,455	-	165,455
Kuali CGBR	-	-	-
Kuali UXI	596,861	-	596,861
Kuali KPME	365,528	-	365,528
Kuali KSFA	400,000	-	400,000
Total project expenses	<u>18,955,079</u>	<u>-</u>	<u>18,955,079</u>
Foundation expenses	1,002,006	-	1,002,006
Foundation Program support	128,160	-	128,160
Write-off of previous commitments	15,000	11,696,488	11,711,488
Kuali Days expenses	462,197	-	462,197
Kuali Community Workshop expenses	99,196	-	99,196
Total expenses	<u>20,661,638</u>	<u>11,696,488</u>	<u>32,358,126</u>
<b>Change in Net Assets</b>	<u>352,055</u>	<u>(15,392,338)</u>	<u>(15,040,283)</u>
<b>Net Assets, Beginning of Year</b>	<u>648,158</u>	<u>23,805,168</u>	<u>24,453,326</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,000,213</u>	<u>\$ 8,412,830</u>	<u>\$ 9,413,043</u>

2014		
Unrestricted	Temporarily Restricted	Total
\$ -	\$ 17,500	\$ 17,500
-	230,000	230,000
-	1,720,000	1,720,000
-	9,057,000	9,057,000
-	-	-
-	90,000	90,000
-	96,000	96,000
-	120,000	120,000
-	408,000	408,000
-	930,000	930,000
-	<u>12,668,500</u>	<u>12,668,500</u>
-	205,000	205,000
-	312,500	312,500
-	490,000	490,000
-	933,836	933,836
-	-	-
-	670,000	670,000
-	38,000	38,000
-	63,000	63,000
-	75,000	75,000
-	<u>2,160,000</u>	<u>2,160,000</u>
-	<u>4,947,336</u>	<u>4,947,336</u>
-	760,000	760,000
<u>17,677</u>	<u>1,466,942</u>	<u>1,484,619</u>
17,677	19,842,778	19,860,455
-	(2,789)	(2,789)
<u>17,677</u>	<u>19,839,989</u>	<u>19,857,666</u>
593,137	-	593,137
73,144	-	73,144
-	-	-
1,352,190	-	1,352,190
<u>12,353</u>	-	<u>12,353</u>
<u>2,048,501</u>	<u>19,839,989</u>	<u>21,888,490</u>
<u>20,703,947</u>	<u>(20,703,947)</u>	-
<u>22,752,448</u>	<u>(863,958)</u>	<u>21,888,490</u>
1,438,172	-	1,438,172
1,822,931	-	1,822,931
2,379,527	-	2,379,527
10,889,382	-	10,889,382
-	-	-
1,234,372	-	1,234,372
830,179	-	830,179
465,510	-	465,510
31,611	-	31,611
614,896	-	614,896
931,851	-	931,851
90,000	-	90,000
<u>20,728,431</u>	-	<u>20,728,431</u>
1,076,475	-	1,076,475
675,000	-	675,000
-	607,329	607,329
565,535	-	565,535
137,877	-	137,877
<u>23,183,318</u>	<u>607,329</u>	<u>23,790,647</u>
(430,870)	(1,471,287)	(1,902,157)
<u>1,079,028</u>	<u>25,276,455</u>	<u>26,355,483</u>
<u>\$ 648,158</u>	<u>\$ 23,805,168</u>	<u>\$ 24,453,326</u>

**Kuali Foundation, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>Operating Activities</b>		
Change in net assets	\$ (15,040,283)	\$ (1,902,157)
Change in fair value of contributions receivable	3,072,968	2,789
Change in		
Accounts receivable	(579,296)	24,658
Contributions receivable	10,570,026	1,705,256
Prepaid expenses and other assets	8,369	(39,750)
Accounts payable and deferred revenues	(71,122)	2,598
Accrued Interest	(14,411)	-
Net cash used in operating activities	(2,053,749)	(206,606)
<b>Investing Activities</b>		
Proceeds from maturity of certificates of deposit	4,500,000	3,250,000
Purchase of certificates of deposit	-	(4,500,000)
Purchase of investment in Kuali, Inc.	(1,000,000)	-
Advance to Kuali, Inc. on note receivable	(37,500)	-
Net cash provided by (used in) investing activities	3,462,500	(1,250,000)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,408,751	(1,456,606)
<b>Cash and Cash Equivalents, Beginning of Year</b>	1,742,497	3,199,103
<b>Cash and Cash Equivalents, End of Year</b>	\$ 3,151,248	\$ 1,742,497



**Kuali Foundation, Inc.**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

Kuali Foundation, Inc. (Foundation) is a not-for-profit organization whose mission and principal activities are to foster the development of the Kuali software for administrative and service needs of education, to promote collaboration, sharing of good practices and dissemination of results of innovative approaches to applying open technology architectures and systems in general for education. The Foundation's revenues and other support are derived principally from membership and partnership dues.

The Foundation manages its projects based upon cash and in-kind commitments by project partners, and those commitments are reflected in Memorandum of Understanding documents that have a defined period. Because those Memorandum of Understanding documents are cyclical in nature, there will be a cyclical impact on the Foundation's net assets each fiscal year.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2015 and 2014, cash equivalents consisted of certificates of deposit.

At June 30, 2015, the Foundation's cash accounts exceeded federally insured limits by approximately \$2,670,000.

***Investments and Investment Return***

Investments consist of certificates of deposit, which are carried at cost plus accrued interest.

***Accounts and Notes Receivable***

Accounts receivable are stated at the amounts to be received from the members for dues or subscriptions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice which coincides with the period the member dues or subscriptions relate to. Accounts past due more than 120 days are considered delinquent. Delinquent receivables are written off based on expiration dates of either the membership or subscription.

**Kuali Foundation, Inc.**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

Notes receivable are stated at their outstanding principal amount, net of allowance for uncollectible notes. The Foundation provides an allowance for uncollectible notes, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Outstanding notes accrue interest based on the terms of the respective note agreements. A note receivable is considered delinquent when the debtor is determined to no longer have the ability to make payments. At that time, the note is placed on nonaccrual status and interest accrual ceases and does not resume until the note is no longer classified as delinquent. Delinquent notes are written off based on individual credit evaluation and specific circumstances of the borrower. As of June 30, 2015, the Foundation determined an allowance was not determined to be necessary.

***Deferred Income***

Revenue from fees for memberships and subscriptions are deferred and recognized over the periods to which the fees relate.

***Contributions***

Contributions of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Contributions received with a donor stipulation that limits their use are reported as temporarily restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction. The majority of contributions are recognized through partnership agreements (project partner dues) and are restricted for specific Foundation projects. These partnership agreements are expected to be paid with cash, contributed services or a combination of both.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Write-off of previous commitments occurs when a partner is not able to or has indicated they will not fulfill their original commitment. In 2015 and 2014, write-offs of in-kind contributions totaled \$8,294,156 and \$423,082, respectively, and write-offs of project partner dues, memberships and subscriptions totaled \$3,417,333 and \$184,247, respectively.

***Temporarily Restricted Net Assets***

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose.

**Kuali Foundation, Inc.**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

***Income Taxes***

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

The Foundation files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Foundation is no longer subject to U.S. federal examinations by tax authorities for years before 2012.

***In-Kind Contributions and Services***

In addition to receiving cash contributions, the Foundation receives in-kind contributions of services from various donors. It is the policy of the Foundation to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount.

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

***Software Costs***

The costs of internally developing, maintaining and providing support for open source software are expensed in the period incurred. The Foundation does not generate revenue from the software. Because of the absence of future gross revenue, there is no net realizable value for those products inherent with the availability to download the software.

***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fund raising categories based on the actual time and expense tracking.

***Subsequent Events***

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

**Kuali Foundation, Inc.**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**Note 2: Investments**

Investments at June 30, 2014 consisted of certificates of deposit totaling \$4,500,000. The Foundation did not have any investments at June 30, 2015.

**Note 3: Contributions Receivable**

Contributions receivable consisted of the following:

	<b>Temporarily Restricted</b>	
	<b>2015</b>	<b>2014</b>
Due within one year	\$ 5,675,003	\$ 16,161,286
Due in one to five years	4,327,916	4,411,659
	10,002,919	20,572,945
Adjustment to fair value	(4,062,024)	(989,056)
	\$ 5,940,895	\$ 19,583,889

Discount rates ranged from 0.43% to 1.60% and from 0.32% to 1.91% for 2015 and 2014, respectively, which reflects an estimate of the rates a market participant would demand for bearing the uncertainty in such cash flows.

The Foundation provides an allowance for uncollectible accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Contributions receivable designated for specific purposes are as follows:

	<b>2015</b>	<b>2014</b>
Kuali Financial System	\$ 1,599,380	\$ 1,277,673
Kuali Coeus	1,025,463	1,184,183
Kuali RICE	244,490	2,435,058
Kuali Student	-	9,800,587
Kuali Student 2.0	2,456,479	-
Kuali OLE	608,867	926,790
Kuali Ready and Kuali Ready project services	6,216	138,852
Kuali KPME	-	372,059
Kuali UXI	-	286,701
Kuali KSFA	-	2,927,207
Kuali Mobility	-	234,779
	\$ 5,940,895	\$ 19,583,889

**Kuali Foundation, Inc.**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**Note 4: Net Assets**

***Temporarily Restricted Net Assets***

Temporarily restricted net assets at June 30 are available for the following purposes or periods:

	<u>2015</u>	<u>2014</u>
Kuali Financial System	\$ 2,444,610	\$ 2,560,254
Kuali Coeus	1,032,734	1,793,706
Kuali RICE	866,176	2,804,049
Kuali Student	-	10,097,994
Kuali Student 2.0	2,535,941	-
Kuali OLE	1,375,671	1,765,026
Kuali Ready and Kuali Ready project services	33,770	138,852
Kuali Mobility	-	400,762
Kuali UXI	40,800	765,731
Kuali KPME	-	551,587
Kuali KSFA	83,128	2,927,207
	<u>\$ 8,412,830</u>	<u>\$ 23,805,168</u>

**Note 5: Net Assets Released From Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2015</u>	<u>2014</u>
Purpose restrictions accomplished		
Kuali Financial System	\$ 1,951,018	\$ 1,446,519
Kuali Coeus	2,741,731	1,831,535
Kuali RICE	1,948,476	2,380,982
Kuali Student	5,625,437	10,902,214
Kuali Student 2.0	2,820,804	-
Kuali OLE	1,360,331	1,246,726
Kuali Ready and Kuali Ready project services	845,326	841,830
Kuali Mobility	165,455	467,035
Kuali CGBR	-	31,611
Kuali UXI	596,861	615,832
Kuali KPME	362,622	932,791
Kuali KFSA	400,000	6,872
	<u>\$ 18,818,061</u>	<u>\$ 20,703,947</u>

**Kuali Foundation, Inc.**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**Note 6: Disclosures About Fair Value of Assets and Liabilities**

The Foundation has elected to measure contributions receivable at fair value. Management has elected the fair value option for these items because it more accurately reflects their financial position.

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 measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

***Recurring Measurements***

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2015 and 2014:

	<b>Fair Value Measurements Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Contributions receivable				
As of June 30, 2015	\$ 5,940,895	\$ -	\$ -	\$ 5,940,895
As of June 30, 2014	\$ 19,583,889	\$ -	\$ -	\$ 19,583,889

**Kuali Foundation, Inc.**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2015. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

**Contributions Receivable**

Fair value is estimated at the present value of the future payments expected to be received. Due to the nature of the valuation inputs, the receivable is classified within Level 3 of the hierarchy.

Fair value determinations for Level 3 measurements of securities are the responsibility of the finance department office. The finance department challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

**Level 3 Reconciliation**

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	<b>Contributions Receivable</b>
Balance, July 1, 2013	\$ 21,291,934
Contributions	17,615,836
Net payments	(18,713,763)
Write-off of previous commitments	(607,329)
Change in fair value included in the change in net assets	(2,789)
Balance, June 30, 2014	19,583,889
Contributions	16,977,589
Net payments	(15,836,127)
Write-off of previous commitments	(11,711,488)
Change in fair value included in the change in net assets	(3,072,968)
Balance, June 30, 2015	\$ 5,940,895

**Unobservable (Level 3) Inputs**

The following presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements. Contributions receivable have a fair value at June 30, 2015 of \$5,940,895, measured using a valuation technique of discounted cash flow. The unobservable inputs and the rates are as follows: Discount rate ranging from 0.43% to 1.60% for June 30, 2015 and a probability of default range of 1-3 MOU's per year.

**Kuali Foundation, Inc.**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**Note 7: Kuali, Inc. Note Receivable**

On October 10, 2014, the Foundation co-founded a new company named Kuali, Inc., and made a \$1,000,000 investment in that company. The investment is a convertible loan, which can be converted into an equity interest based upon the provisions of the promissory note. The convertible loan matures October 10, 2016 and earns 2% interest and accrued \$14,411 in interest as of June 30, 2015. During 2015, the Foundation also provided a \$37,500 loan to Kuali, Inc. for a lease down payment, which is scheduled to be paid back by December 31, 2017. The Foundation has a seat on Kuali, Inc.'s Board of Directors and holds an exceptional veto right on any proposed sale or merger of Kuali, Inc.. No member of the Foundation's Board of Directors or its employees will have any personal gain from Kuali, Inc..

The Foundation and Kuali, Inc. are working in partnership on activities to develop and deliver open source and cloud-based software for higher education. The Foundation continues to be a member-based not-for-profit organization where schools can invest, collaborate and leverage resources for specific projects. Therefore, schools still have membership agreements with the Foundation and one or more partnership agreements for specific projects within the Foundation. Each project within the Foundation has an Executive Sponsor Team (EST), which determines how the collective resources are used. In many cases, the ESTs have decided to contract with Kuali, Inc. for delivery of some or all of their software priorities; in these cases, specific contracts are created between the Foundation and Kuali, Inc. outlining scope, priorities, deliverables and payment schedules.

**Note 8: Functional Expenses**

Total expenses by functional classification are as follows:

	<u>2015</u>	<u>2014</u>
Program expenses	\$ 32,181,530	\$ 23,522,131
Management and general	<u>176,596</u>	<u>268,516</u>
	<u>\$ 32,358,126</u>	<u>\$ 23,790,647</u>



## **Supplementary Information**

**Kuali Foundation, Inc.**  
**Schedule of Contributions Receivable**  
**June 30, 2015**

	2015						
	Totals	Kuali Financial System	Kuali Coeus	Kuali RICE	Kuali Student 2.0	Kuali OLE	Kuali Ready
<b>In-Kind Contributions</b>							
Due within one year	\$ 1,563,628	\$ 375,000	\$ 90,000	\$ 290,000	\$ 708,628	\$ 100,000	\$ -
Due within two years	1,130,000	375,000	90,000	-	665,000	-	-
Due within three years	390,000	-	90,000	-	300,000	-	-
	<u>3,083,628</u>	<u>750,000</u>	<u>270,000</u>	<u>290,000</u>	<u>1,673,628</u>	<u>100,000</u>	<u>-</u>
<b>Project Partner Dues</b>							
Due within one year	4,071,375	999,667	933,458	390,417	858,333	879,500	10,000
Due within two years	2,299,583	840,000	400,000	59,583	1,000,000	-	-
Due within three years	508,333	-	50,000	-	458,333	-	-
Due within four years	20,000	-	20,000	-	-	-	-
Due within five years	20,000	-	20,000	-	-	-	-
	<u>6,919,291</u>	<u>1,839,667</u>	<u>1,423,458</u>	<u>450,000</u>	<u>2,316,666</u>	<u>879,500</u>	<u>10,000</u>
	10,002,919	2,589,667	1,693,458	740,000	3,990,294	979,500	10,000
Less: Change in fair value	<u>(4,062,024)</u>	<u>(990,287)</u>	<u>(667,995)</u>	<u>(495,510)</u>	<u>(1,533,815)</u>	<u>(370,633)</u>	<u>(3,784)</u>
Total contributions receivable	<u>\$ 5,940,895</u>	<u>\$ 1,599,380</u>	<u>\$ 1,025,463</u>	<u>\$ 244,490</u>	<u>\$ 2,456,479</u>	<u>\$ 608,867</u>	<u>\$ 6,216</u>

**Kuali Foundation, Inc.**  
**Schedule of Contributions Receivable**  
**June 30, 2014**

	2014										
	Totals	Kuali Financial System	Kuali Coeus	Kuali RICE	Kuali Student	Kuali OLE	Kuali Ready	Kuali Mobility	Kuali UXI	Kuali KFSA	Kuali KPME
<b>In-Kind Contributions</b>											
Due within one year	\$ 11,789,583	\$ 410,000	\$ 490,000	\$ 1,370,000	\$ 8,303,375	\$ 90,000	\$ -	\$ 172,000	\$ 204,000	\$ 360,000	\$ 390,208
Due within two years	2,742,833	-	22,500	740,000	1,573,333	-	-	-	47,000	360,000	-
Due within three years	210,000	-	-	20,000	-	-	-	-	-	190,000	-
	<u>14,742,416</u>	<u>410,000</u>	<u>512,500</u>	<u>2,130,000</u>	<u>9,876,708</u>	<u>90,000</u>	<u>-</u>	<u>172,000</u>	<u>251,000</u>	<u>910,000</u>	<u>390,208</u>
<b>Project Partner Dues</b>											
Due within one year	4,371,703	930,000	670,000	281,250	379,828	882,000	145,625	88,000	50,000	945,000	-
Due within two years	1,047,993	-	60,000	142,917	35,076	-	-	-	-	810,000	-
Due within three years	410,833	-	-	5,833	-	-	-	-	-	405,000	-
	<u>5,830,529</u>	<u>930,000</u>	<u>730,000</u>	<u>430,000</u>	<u>414,904</u>	<u>882,000</u>	<u>145,625</u>	<u>88,000</u>	<u>50,000</u>	<u>2,160,000</u>	<u>-</u>
	20,572,945	1,340,000	1,242,500	2,560,000	10,291,612	972,000	145,625	260,000	301,000	3,070,000	390,208
Less: Change in fair value	(989,056)	(62,327)	(58,317)	(124,942)	(491,025)	(45,210)	(6,773)	(25,221)	(14,299)	(142,793)	(18,149)
Total contributions receivable	<u>\$ 19,583,889</u>	<u>\$ 1,277,673</u>	<u>\$ 1,184,183</u>	<u>\$ 2,435,058</u>	<u>\$ 9,800,587</u>	<u>\$ 926,790</u>	<u>\$ 138,852</u>	<u>\$ 234,779</u>	<u>\$ 286,701</u>	<u>\$ 2,927,207</u>	<u>\$ 372,059</u>