2019

ANNUAL REPORT

UNIFORM LAW FOUNDATION

2019 Annual Report

Table of Contents:

Trustees and Mission Statement

Trustees

Mission Statement

The Uniform Law Foundation is dedicated to the guiding principle that uniformity of state law, on all subjects where uniformity is desirable and practicable, contributes to the general welfare of the citizens of the United States (1) by facilitating commerce, (2) by increasing understanding of and respect for the laws of the states and (3) by assisting the citizens of the states in their pursuit of the benefits of a free society.

In furtherance of its guiding principle, the Foundation promotes uniformity of state laws by making funds available for study, research and development, and educational efforts, carried out by, or in support of the activities of, the National Conference of Commissioners on Uniform State Laws. When making direct grants or loans to the National Conference, the Foundation supplements the funds provided to the National Conference by its constituent governmental entities and other sources.

MESSAGE FROM THE CHAIRMAN

The Foundation's novel and informative Alaskan gala brought hundreds of Foundation supporters together last summer for another morale-boosting fundraising experience. Soon thereafter, we witnessed a major step forward. For the first time in history, ULC engaged a professional services firm to guide the way in a multi-year effort to obtain grants from federal government agencies and charitable organizations and foundations. Those kinds of grants are not new to ULC, but this new arrangement gives ULC instant expertise and capacity to seek funds augmenting core State dues payments. All told, the Foundation gave ULC over $250,000 during 2019 to subsidize priorities outlined by ULC. At the end of 2019, the Foundation's unrestricted assets were only two percent shy of $10 million!

World conditions have worsened dramatically in the last few months. Yet, despite widespread weakness in investment assets, the Foundation has been able to preserve its capital. As of mid-April, 2020, the value of the Foundation's unrestricted funds has not lost ground since the end of last year. But as pleased as we are to report that the Foundation's financial condition is stable, we are deeply concerned about potential financial adversity ULC may face in the not too distant future. There is a risk, difficult to measure, that State governments will experience financial shortfalls resulting in spending reductions. We know from past experience that ULC dues can be vulnerable when that happens.

As you probably are aware, ULC is carrying on its work. Drafting committees are meeting "virtually", and legislative activity likely will rebound when the greatest danger of the pandemic is behind us. The Foundation must be prepared with adequate resources to back-stop ULC finances if worst-case economic scenarios become reality. So now, more than ever, the Foundation deserves continued generous support from its many supporters as ULC continues to deliver to our Nation well-drafted statutes to address the needs of our fellow Americans.

We pray that you remain safe and healthy.

Howard J Swibel

Howard J. Swibel, *Chair*

Michael Houghton

Edwin Smith

Martha T. Starkey

Charles A. Trost, *Emeritus*

Steve Wilborn

DONOR RECOGNITION SOCIETIES

Lifetime Fellows

Includes ULC Commissioners whose cumulative unrestricted contributions to the ULF total $10,000 or more.

Turney P. Berry
Thomas J. Buiteweg
Bruce A. Coggeshall
Jack Davies
Barry C. Hawkins
Michael Houghton
Elizabeth Kent
Peter F. Langrock
Gene N. Lebrun
Harry D. Leinenweber
Carl H. Lisman
Leon M. McCorkle Jr.
Thomas J. McCracken Jr.
James C. McKay Jr.
Fred H. Miller
Raymond P. Pepe
Carlyle C. Ring
Edwin E. Smith
Frederick P. Stamp Jr.
Martha T. Starkey
Robert A. Stein
Sandra S. Stern
Craig Stowers
Howard J. Swibel
Harry L. Tindall
Steve Wilborn

Distinguished Donor Society

Includes donors whose cumulative unrestricted contributions to the ULF total $10,000 or more.

REHNQUIST CIRCLE ($25,000 and above)

Baxter Healthcare Corp.
CT Corporation–A Wolters Kluwer Business
LexisNexis
Carl H. Lisman and Deb Smith
Leon M. McCorkle Jr.
James C. McKay Jr.
Fred H. and Marcia Miller
Motion Picture Association of America
Carlyle C. Ring
Edwin E. and Katherine Smith
Frederick P. Jr. and Judy Stamp
Martha T. Starkey and Ron Schwier
Robert A. Stein
Steve Wilborn

LEGACY SOCIETY
UNIFORM LAW FOUNDATION

A 'legacy' is something that is passed from one generation to the next. The Uniform Law Foundation's Legacy Society perpetuates the legacies of our benefactors, and helps to protect and strengthen the important work of the Uniform Law Commission for future generations.

The Legacy Society recognizes those who have made a provision for a gift to the ULF in their will, a trust, or through some other type of planned gift.

Gerald L. Bepko
Tom Bolt
The Donegan Family Foundation
Elizabeth Kent
Richard B. Long
Leon M. McCorkle Jr.
James C. McKay Jr.
Carlyle C. Ring
Edwin E. Smith
Martha T. Starkey
Robert A. Stein
John J. Stieff
Justin L. Vigdor
Steve Wilborn

Distinguished Donor Society continued

LLEWELLYN CIRCLE ($20,000 - $24,999)

Mandel Foundation

BRANDEIS CIRCLE ($15,000 - 19,999)

Jack Davies
Michael Houghton
Elizabeth Kent
Craig Stowers
Harry L. Tindall
Wyatt, Tarrant and Combs, LLP

WILLISTON CIRCLE ($10,000 - 14,999)

AARP
Altria Group Inc.
Turney P. Berry
Thomas J. Buiteweg
Bruce A. and Phyllis Coggeshall
Collaborative Law Institute of Texas, Inc.
Barry C. Hawkins
Peter F. Langrock
Gene N. Lebrun
Harry D. Leinenweber
Thomas J. McCracken Jr.
Microsoft
Raymond P. Pepe
Rockefeller & Co., Inc
Sandra S. Stern
Richard E. Speidel
State Bar of Wisconsin
Howard J. Swibel

DONOR RECOGNITION SOCIETIES

2019 Annual Campaign Leadership Society

Includes all donors who made a contribution to the ULF in 2019.

Benefactor — $2,500 and above

AARP
CT Corporation–A Wolters Kluwer Business
Carl H. Lisman and Deb Smith
Motion Picture Association of America
Edwin E. and Katherine Smith*
State Bar of Wisconsin
Stoel Rives LLP
Steve Wilborn
Wisconsin Counties Association

Patron — $1,000 - $2,499

William W. Barrett
Turney P. Berry
Tom Bolt
Thomas J. Buiteweg*
Jack and Pat Davies
Jerry J. Guillot
Michael Houghton
Lisa R. Jacobs*
Landye Bennett Blumstein LLP
James C. McKay Jr.
Fred H. and Marcia Miller
Raymond P. Pepe
Frederick P. Jr. and Judy Stamp
Robert A. Stein
Harry L. Tindall*

Fellow — $500 - $999

Anchorage Bar Association
David D. Biklen*
William R. Breetz
Jack Burton
Stephen C. Cawood
Bruce A. and Phyllis Coggeshall
Davis Wright Tremaine LLP
Dillon & Findley, PC
Patricia Brumfield Fry
Elizabeth Kent*
H. Lane Kneedler
Howard J. Swibel
Harry M. Walsh

**Donation in whole or in part designated to the Consumer Participation Fund. The Fund is intended to bring more diverse views to the drafting process, beginning with the funding of consumer representative travel to drafting committee meetings.*

DONOR RECOGNITION SOCIETIES

2019 Annual Campaign Leadership Society

Includes all donors who made a contribution to the ULF in 2019.

Friend	**$250 - $499**

Marlin J. Appelwick
Thomas C. Baxter
Carl S. and Andrea Bjerre
Ellen F. Dyke
David M. English
Lani L. Ewart
Harry J. Haynsworth IV
Thomas S. Hemmendinger*
Gene N. and Pat Lebrun
Donald E. Mielke
Harvey S. and Susan Perlman
Lane Shetterly
John J. Stieff
Samuel A. Thumma

Supporter	**Up to $249**

Rex Blackburn
W. Grant Callow
Paul W. Chaiken*
Robert H. Cornell
Vincent C. DeLiberato
Joseph M. Donegan
Brian K. Flowers
Steven G. Frost
Michael B. and Terry Getty
Jess O. Hale
Ryan S. Inman
Garry W. Jenkins
Lawrence R. Klemin
John H. Langbein
Peter F. Langrock
Philip P. Larragoite
Richard B. Long
Robert L. McCurley
Esson M. Miller Jr.
Francis J. Pavetti
Margaret Rick
Mark H. and Cindi Ramsey
Ken H. Takayama
Louise Ellen Teitz
Justin L. Vigdor
David S. Walker
Russell G. Walker
Martha L. Walters*
D. Joe Willis

Note: every effort was made to accurately recognize all those who donated to the Uniform Law Foundation. Please contact Joleen Dimond (312-450-6607 or jdimond@uniformlaws.org) to report any discrepancies.

2019 Memorial and Tribute Gifts

In Memory of Thomas P. Foy
John P. Burton

In Memory of Thomas Jones
Robert L. McCurley

In Memory of Benny Kass
Fred H. and Marcia Miller
Robert H. Cornell
Gene N. and Pat Lebrun
Patricia Brumfield Fry
Peter F. Langrock

In Memory of Neal Ossen
David D. Biklen
Margaret Rick

In Memory of Joseph Rodgers
Patricia Brumfield Fry

In Honor of Jack Burton
Donald E. Mielke

In Honor of Carl Lisman and Deb Smith
Tom Bolt

In Honor of Anita Ramasastry
Patricia Brumfield Fry

In Honor of Robert Stein
Donald E. Mielke

THE UNIFORM LAW FOUNDATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

THE UNIFORM LAW FOUNDATION

YEARS ENDED DECEMBER 31, 2019 AND 2018

CONTENTS

Independent Auditors' Report

Board of Trustees
The Uniform Law Foundation

We have audited the accompanying financial statements of The Uniform Law Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

Auditors' 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.

NBC Tower, Suite 1500 | 455 N. Cityfront Plaza Drive | Chicago, IL 60611-5313 | **O** 312.670.7444 | **F** 312.670.8301 | ORBA.COM
Independent Member of BKR International

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Uniform Law Foundation as of December 31, 2019 and 2018, 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.

Ostrow Reisin Berk & Abrams, Ltd.

July 2, 2020

THE UNIFORM LAW FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31,	**2019**	2018
ASSETS		
Cash	**$ 215,076**	$ 218,249
Investments	**10,926,405**	8,386,160
Unconditional promises to give	**4,775**	4,620
Accrued interest receivable	**30,694**	27,238
Deferred rent receivable	**88,785**	84,141
Office condominium and improvements, net of accumulated depreciation of $774,391 in 2019 and $710,012 in 2018	**1,736,354**	1,800,733
Lease incentive, net	**65,693**	69,360
Total assets	**$ 13,067,782**	$ 10,590,501
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	**$ 7,498**	$ 33,705
Deferred rental income	**25,271**	24,790
Grants payable	**360,025**	61,812
Bond payable, net	**2,666,033**	2,661,864
Derivative liability - interest rate swap	**148,417**	151,534
Security deposit	**500,000**	500,000
Total liabilities	**3,707,244**	3,433,705
Net assets:		
Without donor restrictions	**9,256,081**	7,079,477
With donor restrictions	**104,457**	77,319
Total net assets	**9,360,538**	7,156,796
Total liabilities and net assets	**$ 13,067,782**	$ 10,590,501

See notes to financial statements.

THE UNIFORM LAW FOUNDATION

STATEMENTS OF ACTIVITIES

Years ended December 31,	2019			2018		
	Without donor restrictions	**With donor restrictions**	**Total**	Without donor restrictions	With donor restrictions	Total
Revenue:						
Contributions	**$ 58,990**	**$ 57,690**	**$ 116,680**	$ 52,680	$ 81,700	$ 134,380
Benefit dinner, net of related costs of $37,690 in 2019 and $54,028 in 2018	**32,182**		**32,182**	27,867		27,867
Rental income	**289,562**		**289,562**	285,186		285,186
Investment return (loss), net	**2,531,848**		**2,531,848**	(588,484)		(588,484)
Fair value adjustment on interest rate swap agreement	**3,117**		**3,117**	68,141		68,141
Other income	**2,030**		**2,030**			
Net assets released from restrictions	**30,552**	**(30,552)**		38,172	(38,172)	
Total revenue	**2,948,281**	**27,138**	**2,975,419**	(116,438)	43,528	(72,910)
Expenses:						
Program expenses:						
Grants	**383,465**		**383,465**	299,491		299,491
Annual meeting expenses	**30,252**		**30,252**	37,758		37,758
Condominium association fees	**139,060**		**139,060**	127,808		127,808
Interest expense	**95,665**		**95,665**	97,956		97,956
Bond fees	**32,667**		**32,667**	34,769		34,769
Depreciation	**64,379**		**64,379**	64,379		64,379
Total program expenses	**745,488**		**745,488**	662,161		662,161

See notes to financial statements.

THE UNIFORM LAW FOUNDATION

STATEMENTS OF ACTIVITIES (CONTINUED)

Years ended December 31,	2019			2018		
	Without donor restrictions	**With donor restrictions**	**Total**	Without donor restrictions	With donor restrictions	Total
Expenses: (continued)						
Management and general expenses:						
Professional fees	**$ 17,378**		**$ 17,378**	$ 17,430		$ 17,430
Travel	**3,201**		**3,201**	2,424		2,424
Total management and general expenses	**20,579**		**20,579**	19,854		19,854
Fundraising expenses:						
Office	**5,575**		**5,575**	5,022		5,022
Other fundraising expenses	**35**		**35**	152		152
Total fundraising expenses	**5,610**		**5,610**	5,174		5,174
Total expenses	**771,677**		**771,677**	687,189		687,189
Change in net assets	**2,176,604**	**$ 27,138**	**2,203,742**	(803,627)	$ 43,528	(760,099)
Net assets, beginning of year	**7,079,477**	**77,319**	**7,156,796**	7,883,104	33,791	7,916,895
Net assets, end of year	**$ 9,256,081**	**$ 104,457**	**$ 9,360,538**	$ 7,079,477	$ 77,319	$ 7,156,796

See notes to financial statements.

THE UNIFORM LAW FOUNDATION

STATEMENTS OF CASH FLOWS

Years ended December 31,	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 2,203,742	$ (760,099)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized net (gain) loss on investments	(2,288,296)	804,612
Deferred rent receivable	(4,644)	(5,927)
Amortization of bond premium	17,201	16,500
Depreciation	64,379	64,379
Amortization of lease incentive	3,667	3,667
Deferred rental income	481	470
Amortization of bond issuance costs	4,169	4,168
Fair value adjustment on interest rate swap agreement	(3,117)	(68,141)
(Increase) decrease in operating assets:		
Unconditional promises to give	(155)	1,180
Accrued interest receivable	(3,456)	(1,040)
Increase (decrease) in operating liabilities:		
Accounts payable	(26,207)	25,751
Grants payable	298,213	(11,883)
Net cash provided by operating activities	265,977	73,637
Cash flows from investing activities:		
Proceeds from sale of investments	3,951,253	1,701,869
Purchases of investments	(4,220,403)	(1,701,286)
Net cash provided by (used in) investing activities	(269,150)	583
Net change in cash	(3,173)	74,220
Cash, beginning of year	218,249	144,029
Cash, end of year	$ 215,076	$ 218,249
Supplemental disclosure of cash flow information:		
Interest paid during the year	$ 91,496	$ 93,787

See notes to financial statements.

1. Organization

The Uniform Law Foundation (the Foundation) is a not-for-profit charitable trust organized to raise and distribute funds in support of the purposes of the National Conference of Commissioners on Uniform State Laws (the Conference), a not-for-profit unincorporated association established to promote uniformity in state laws in all areas where uniformity is deemed desirable and practicable. The Foundation also distributes funds for the further purpose of researching, drafting and promoting uniform legislative solutions to important issues facing the states. The Foundation owns an office condominium in downtown Chicago. The Foundation leases the condominium to the Conference under the terms of an operating lease (see Note 9). The Foundation is governed by the laws of the state of Illinois and is managed by a Board of Trustees.

The Foundation has received a determination letter from the Internal Revenue Service that it is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Contributions to the Foundation are deductible for income tax purposes within limitations of the law.

2. Summary of significant accounting policies

Recent accounting pronouncements:

Effective January 1, 2019, the Foundation adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction.

The change in accounting principle was adopted on a modified prospective basis in 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of January 1, 2019.

2. Summary of significant accounting policies (continued)

Recent accounting pronouncements: (continued)

The following are the line items that were affected by applying the new guidance:

	As reported at December 31, 2019	Effects of applying new guidance (ASU 2018-08)	Amounts that would have been reported under previous GAAP
Liabilities:			
Grants payable	$ 360,025	$ (100,000)	$ 260,025
Net assets:			
Without donor restrictions	$ 9,360,538	$ 100,000	$ 9,460,538
Program expenses:			
Grants	$ 383,465	$ (100,000)	$ 283,465

Basis of accounting:

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> **Net assets without donor restrictions** - Net assets available to finance the general operations of the Foundation. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation and the environment in which it operates.

2. Summary of significant accounting policies (continued)

Basis of presentation: (continued)

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such that they will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Fair value measurements:

The Foundation utilizes a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. The three levels of hierarchy are as follows:

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Office condominium:

The office condominium is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful life of the office condominium.

2. Summary of significant accounting policies (continued)

Amortization of lease incentives:

Lease incentives are amortized using the straight-line method over the 30-year lease term as a reduction to rental income.

Promises to give:

Unconditional promises to give are recorded net of an allowance for doubtful accounts. Management provides for probable uncollectible accounts based on its assessment of the current status of individual accounts. An allowance for doubtful accounts is not provided as management believes all amounts are fully collectible. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. At December 31, 2019 and 2018, all unconditional promises to give are due within one year.

Conditional promises to give are not included as support until the conditions are substantially met. There were no conditional promises to give at December 31, 2019 and 2018.

Deferred rent receivable:

The Foundation records rental income on a straight-line basis over the life of the lease. The difference between rental income recorded and the amount received is charged to deferred rent receivable in the statements of financial position.

Contributions and contributed services:

Contributions are recorded as without donor restriction or with donor restriction depending on the existence and/or nature of any donor restriction.

The Foundation records the fair value of contributed services if the contributed services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would need to be purchased if not provided by donation. No such amounts have been recorded in these financial statements for contributed services.

Grants to National Conference of Commissioners on Uniform State Laws:

The Foundation recognizes grants to the National Conference of Commissioners on Uniform State Laws as expenses at the time at which the grants are authorized.

2. Summary of significant accounting policies (continued)

Expense allocation:

The financial statements report expenses using the direct allocation method. There are no expenses that are indirectly allocated amongst the program or supporting functions.

Bond issuance costs:

The Foundation includes unamortized bond issuance costs as a reduction of bond payable on the statements of financial position. Bond issuance costs are amortized to interest expense over the 30-year life of the bond.

Use of estimates:

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

Subsequent events:

Management of the Foundation has reviewed and evaluated subsequent events through July 2, 2020, the date the financial statements were available to be issued. As a result of the COVID-19 pandemic, the Foundation canceled its annual meeting and gala which were to be held in July 2020. The cancellation of the annual meeting and gala are not expected to have a significant impact on the Foundation's financial position.

3. Liquidity and availability

December 31, 2019		
Financial assets at year-end:		
Cash	$	215,076
Investments		10,926,405
Unconditional promises to give		4,775
Accrued interest receivable		30,694
Total financial assets		11,176,950
Less amounts not available to be used within one year:		
Bond sinking fund investments, internally designated		1,226,726
Net assets with donor restrictions		104,457
Board-designated net assets		38,340
Total amounts not available to be used within one year		1,369,523
Financial assets available to meet general expenditures within the next year	$	9,807,427

Donations without donor restrictions, investment earnings, rental income and benefit ticket revenue are the primary sources of liquidity to meet cash needs for general expenditures. General expenditures include administrative and general expenses, condominium and related financing costs, fundraising expenses and grant commitments to be paid in the subsequent year. The Foundation also receives contributions with donor restrictions, primarily for the annual meeting and benefit dinner, and the Consumer Participation Fund.

The Foundation was established for the purpose of making funds available for study, research and development, and educational efforts, carried out by, or in support of the activities of, the National Conference of Commissioners on Uniform State Laws (the Conference). Consequently, grants to the Conference are the primary operating expense of the Foundation. The Foundation's current policy is to limit grant authorizations in a year to 5% of the four-year average of unrestricted investment balances. That policy yields availability of up to $404,000 for qualifying grants in 2020.

As described in Note 9, the Foundation owns an office condominium which it leases to the Conference. Rent payments received from the Conference cover the assessment fees and borrowing costs associated with the condominium. Although not required by a bond covenant, the Foundation has established a sinking fund earmarked for bond repayment.

3. Liquidity and availability (continued)

The Foundation manages its cash available to meet general expenditures utilizing the following guidelines and principles:

- Monitoring operating needs, while striving to maximize investment of available funds.
- Maintaining sufficient reserves to provide reasonable assurance that costs associated with its debt obligation and its mission will continue to be met.
- Operating within a prudent annual budget while also strategically planning for the future.

4. Investments

Investments are reported in the statements of financial position at their fair value, with any realized and unrealized gains and losses reported in the statements of activities.

The Foundation's debt instruments bear interest at rates between 0.125% and 9.375% and mature at various dates through December 2049.

The Foundation has designated approximately $1,200,000 of investments for repayment of its outstanding bond obligation when it becomes due in July 2037.

5. Fair value of financial instruments

The following table sets forth by level, within the fair value hierarchy, the Foundation's financial instruments at fair value as of December 31, 2019:

December 31, 2019	Total	Level 1	Level 2
Recurring fair value measurements:			
Assets:			
Investments:			
Common stock	**$ 7,476,435**	**$ 7,476,435**	
Bonds and notes	**1,952,937**	**1,952,937**	
Mutual funds	**596,679**	**596,679**	
Preferred securities	**152,194**	**152,194**	
Municipal securities	**144,906**	**144,906**	
U.S. Government agency securities	**144,650**	**144,650**	
Real estate investment trusts	**133,993**	**133,993**	
Convertible securities	**113,628**	**113,628**	
Asset backed securities	**130,146**		**$ 130,146**
Money market instruments	**80,837**		**80,837**
Total investments	**10,926,405**	**10,715,422**	**210,983**
Liability:			
Interest rate swap derivative	**(148,417)**		**(148,417)**
Total recurring fair value measurements	**$ 10,777,988**	**$ 10,715,422**	**$ 62,566**

5. Fair value of financial instruments (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's financial instruments at fair value as of December 31, 2018:

December 31, 2018	Total	Level 1	Level 2
Recurring fair value measurements:			
Assets:			
Investments:			
Common stock	$ 4,061,634	$ 4,061,634	
Bonds and notes	1,410,575	1,410,575	
Mutual funds	2,132,387	2,132,387	
U.S. Government agency securities	305,182	305,182	
Preferred securities	161,701	161,701	
Real estate investment trusts	102,575	102,575	
Convertible securities	95,990	95,990	
Certificates of deposit	61,992		$ 61,992
Asset backed securities	31,271		31,271
Money market instruments	22,853		22,853
Total investments	8,386,160	8,270,044	116,116
Liability:			
Interest rate swap derivative	(151,534)		(151,534)
Total recurring fair value measurements	$ 8,234,626	$ 8,270,044	$ (35,418)

Following is a description of the valuation methodologies used for assets measured at fair value:

The fair value of Level 1 investments is based on quoted prices in active markets.

The fair value of the certificates of deposit and money market instruments is estimated to approximate deposit account balances, payable on demand, as no discounts for credit quality or liquidity were determined to be applicable.

The fair value of asset backed securities is a model-derived valuation in which all significant inputs and significant value drivers are observable in active markets.

The interest rate swap derivative is measured at fair value using quoted market prices for the swap interest rate indexes over the term of the swap discounted to present value versus the fixed rate of the contract.

5. Fair value of financial instruments (continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

6. Grants

Grants payable are as follows:

December 31,	**2019**	2018
National Conference of Commissioners on Uniform State Laws:		
Grant Writing Support Program	**$ 282,952**	
International Committee Consultant	**27,157**	$ 28,219
Legislative Video Pilot Program	**25,000**	1,175
ULC Scope Coordinator	**20,000**	
Document Scanning Project	**4,916**	4,916
Study and Monitoring Committee Reporter stipends		23,850
Interim Executive Director expenses		3,652
Total grants payable	**$ 360,025**	$ 61,812

6. Grants (continued)

Grants authorized consisted of the following:

Years ended December 31,	2019	2018
National Conference of Commissioners on Uniform State Laws:		
Grant Writing Support Program	$ 300,000	
International Committee Consultant	37,913	$ 31,468
Legislative Video Pilot Program	25,000	30,000
ULC Scope Coordinator	20,000	
Consumer Participation Fund	552	722
Website and AMS Project		155,000
Fellows Program		52,301
Interim Executive Director expenses		30,000
Total grants expense	$ 383,465	$ 299,491

7. Net assets with donor restrictions

Net assets with donor restrictions are as follows:

December 31,	2019	2018
Purpose restricted:		
Annual meetings and benefit dinner	$ 61,000	$ 42,500
Consumer Participation Fund	37,066	29,428
Commercial Finance Association to support drafting projects	5,391	5,391
Legislative summit	1,000	
Total net assets with donor restrictions	$ 104,457	$ 77,319

7. Net assets with donor restrictions (continued)

Net assets were released from donor restrictions by incurring expenses satisfying purpose restrictions as follows:

Years ended December 31,		**2019**		2018
Purpose restricted:				
Annual meetings and benefit dinner	**$**	**30,000**	$	37,450
Consumer Participation Fund		**552**		722
Total net assets released from donor restrictions	**$**	**30,552**	$	38,172

8. Board-designated net assets

The Trustees of the Foundation have earmarked up to $50,000 as an internal match against donations received for the Consumer Participation Fund, which was established to support broader consumer participation in the drafting process as overseen by the Conference. At December 31, 2019 and 2018, the Foundation had matched $38,340 and $29,650, respectively.

9. Related party transactions

General and administrative and fundraising costs are usually paid by the Conference, which is related through common management.

The Foundation generally reflects grants to the Conference as expenses at the time the grants are authorized.

The Foundation has an unsecured variable line of credit agreement with the Conference. Under the agreement, the Conference may borrow from the Foundation, on a short-term basis, not to exceed 90 days, up to $250,000, at the prevailing interest rate being charged to the Foundation by its bank. As of December 31, 2019 and 2018, there was no receivable balance on this line of credit.

The Foundation leases its office condominium to the Conference under an operating lease for a 30-year term through November 30, 2037. The lease provides for an option to renew the lease for three consecutive five-year terms. Under this lease agreement, the Conference is to pay an escalating rent according to a schedule outlined in the lease. Rental income for the years ended December 31, 2019 and 2018 was approximately $290,000 and $285,000, respectively. The Foundation is responsible for condominium assessment fees and other related costs. The amount of the minimum lease rentals presented below has been calculated in amounts sufficient to recover these operating expenses from the Conference.

9. Related party transactions (continued)

The future minimum rentals to be received are as follows:

Year ending December 31:	Amount
2020	$ 294,356
2021	300,242
2022	306,248
2023	312,372
2024	318,620
Thereafter	4,736,018
Total	$ 6,267,856

As provided under the terms of the lease agreement, as an additional incentive to enter into the lease, the Foundation provided a furniture allowance to the Conference of $170,000. The agreement provides for the Conference to pay certain fees and expenses incurred by the Foundation in financing the purchase of the office condominium. The fees paid by the Conference to the Foundation were $60,000, which has been netted against the furniture allowance. The net allowance of $110,000 is being amortized as a lease incentive using the straight-line method over the 30-year lease term as a reduction to rental income. For each of the years ended December 31, 2019 and 2018, the lease incentive amortization was $3,667.

The Foundation is the beneficiary of the interest from the security deposit.

10. Bond payable

On July 1, 2007, the Illinois Finance Authority issued $2,740,000 Variable Rate Community Facility Revenue Bonds (The Uniform Law Foundation Project) Series 2007. The bond proceeds were issued to finance the costs of the acquisition, renovations and equipping of an approximately 9,381 square foot commercial office condominium in downtown Chicago.

The bond, which is due at maturity on July 1, 2037, bears interest at a weekly adjustable rate, payable monthly (1.78% at December 31, 2019). The weekly rate for each weekly period shall be the rate determined by the remarketing agent, PNC Capital Markets, LLC (PNC), on Wednesday of each week at the lowest rate which will, in the sole judgment of the remarketing agent, having due regard for the prevailing financial market conditions, permit the bond to be remarketed at par, plus accrued interest, on the first day of such weekly period. The interest rate on the bond may be converted to a flexible rate at the option of the Foundation.

10. Bond payable (continued)

Payments of principal and interest are payable solely from and secured by an assignment and pledge of payments. The Foundation may prepay all or any portion of the bond payable at any time.

The loan agreement requires the Foundation to comply with certain financial covenants. For the years ended December 31, 2019 and 2018, the Foundation was in compliance with all covenants.

Under the terms of an amended guaranty agreement dated September 16, 2015, the Conference guarantees the indebtedness of the Foundation to PNC arising out of or in connection with an amended Reimbursement Agreement between PNC and the Foundation dated September 10, 2015.

Bond payable is as follows:

December 31,	**2019**	2018
Bond payable	**$ 2,740,000**	$ 2,740,000
Less unamortized bond issuance costs	**73,967**	78,136
Bond payable, net	**$ 2,666,033**	$ 2,661,864

11. Swap agreement and letter of credit

The Foundation is exposed to interest rate risk through the above borrowing activity. In order to minimize the effect of changes in interest rates, the Foundation is obligated under an interest rate swap agreement with PNC Bank under which the Foundation agrees to pay a fixed rate of 3.31% on a notional amount, which approximates the outstanding bond balance and to receive a return of 67% of the one month LIBOR rate on the same notional amount. This agreement terminates on May 31, 2022.

The fair value of the swap agreement at December 31, 2019 and 2018 was a negative cumulative fair value adjustment of $148,417 and $151,534, respectively, which was recorded as a liability in the statements of financial position and the related annual fair value adjustment on the interest rate swap agreement was reported in the statements of activities for the years then ended. Cash flows from the swap arrangement are classified as an operating activity in the statements of cash flows.

11. Swap agreement and letter of credit (continued)

The Series 2007 bond issued through the Illinois Finance Authority is collateralized by an irrevocable letter of credit in the original stated amount of $2,766,274, issued by PNC Bank. The trustee is Amalgamated Bank (the Trustee). This letter of credit collateralizes the payment, when due, of the principal and interest on the Series 2007 bond. The letter of credit will expire on the earliest of October 28, 2022 or other dates as provided under the terms of the letter of credit. The obligation of PNC Bank under the letter of credit is reduced to the extent of any drawing under the letter of credit. With respect to a drawing solely to pay interest on the bond, the Trustee's right to draw under the letter of credit is reinstated automatically.

The letter of credit is collateralized by a mortgage dated June 28, 2012. Under the terms of the mortgage between the Foundation and PNC Bank, the Foundation grants PNC Bank collateral interest in the office condominium including all improvements to such real estate, rents, leases, fixtures and personal property used in connection with the real estate.

UNIFORM LAW FOUNDATION

Uniform Law Foundation

111 North Wabash Ave., Suite 1010
Chicago, IL 60602
(312) 450-6600
www.uniformlawfoundation.org