

**The Foundation for the Malcolm Baldrige  
National Quality Award, Inc.**

**FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION  
Years Ended September 30, 2009 and 2008**

**AND  
INDEPENDENT AUDITOR'S REPORT**

The Foundation for the Malcolm Baldrige  
National Quality Award, Inc.

FINANCIAL STATEMENTS

September 30, 2009 and 2008

TABLE OF CONTENTS

Board of Directors

Exhibit

Page

Independent Auditor's Report

1

Financial Statements

A

Statements of Financial Position

2

B

Statements of Activities and Changes  
in Unrestricted Net Assets

3-4

C

Statements of Cash Flows

5

Notes to Financial Statements

6-11

Schedule

Independent Auditor's Report on Additional Information

12

Additional Information

1

Schedules of General and Administrative Expenses

13

2

Schedule of Assets Held for Investment Purposes

14

The Foundation for the Malcolm Baldrige  
National Quality Award, Inc.

September 30, 2009

BOARD OF DIRECTORS

Joe Alexander, Chairman

Loren Meyer, Secretary

Debbie Collard, Chair-Elect

Letitia Baldrige

George Benson

Anne Bryant

Frank Fusco

Richard Hastings

Wright Lassiter

Michael Murphy

William Petasnick

Horst Schulze

David Spong

Thom Schamberger, Executive Director



**ALLISON KNAPP &  
SIEKMANN, LTD.**

CERTIFIED PUBLIC ACCOUNTANTS

January 13, 2010

Board of Directors  
The Foundation for the Malcolm Baldrige  
National Quality Award, Inc.

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of The Foundation for the Malcolm Baldrige National Quality Award, Inc. (a nonprofit organization) as of September 30, 2009 and 2008, and the related statements of activities and changes in unrestricted net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U. S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Foundation for the Malcolm Baldrige National Quality Award, Inc. as of September 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with U. S. generally accepted accounting principles.

*Allison Knapp + Siekmann, Ltd.*

2810 Frank Scott Parkway West, Ste. 704  
Belleville, Illinois 62223-5007  
(618) 233-2641 (618) 397-9300 FAX (618) 233-6334

P.O. Box 165 • 120 Mill Street  
Bethalto, Illinois 62010-0165  
(618) 377-2171 FAX (618) 377-2173

EXHIBIT A

The Foundation for the Malcolm Baldrige  
National Quality Award, Inc.

STATEMENTS OF FINANCIAL POSITION

Years Ended September 30, 2009 and 2008

	2009	2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 295,253	\$ 861,153
Accounts receivable		
Quest for Excellence conference	\$ -	\$ 111,758
Regional conferences	37,040	46,150
Contributions receivable -		
current portion	50,000	45,000
Less allowance for doubtful accounts	(20,000)	(15,000)
Investments		
Money market accounts	249,303	704,048
Corporate and U. S. debt securities	4,397,650	7,354,823
Equity securities	7,863,051	11,451,442
Mutual funds	4,903,398	-
	17,413,402	19,510,313
Total current assets	17,775,695	20,559,374
<b>OTHER ASSETS</b>		
Contributions receivable - net of		
current portion	-	35,000
Less allowance for doubtful accounts	-	(5,000)
Intangible asset, net of amortization	89,833	-
	89,833	30,000
<b>TOTAL ASSETS</b>	<b>\$ 17,865,528</b>	<b>\$ 20,589,374</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accrued expenses		
Public and business affairs		
within NIST	\$ -	\$ 1,335,355
Accounts payable	128,147	141,899
	\$ 128,147	\$ 1,477,254
<b>NET ASSETS</b>		
Unrestricted	17,737,381	19,112,120
<b>TOTAL LIABILITIES AND</b>		
<b>NET ASSETS</b>	<b>\$ 17,865,528</b>	<b>\$ 20,589,374</b>

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

The Foundation for the Malcolm Baldrige  
National Quality Award, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES  
IN UNRESTRICTED NET ASSETS

Years Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>	
UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT			
Investment income			
Interest on money market accounts	\$ 2,984		\$ 61,513
Dividends and interest on investments	672,937		662,702
Gains			
Realized	-		487,620
Unrealized	<u>2,358,240</u>		<u>-</u>
Total investment income	3,034,161		1,211,835
Less investment expenses	<u>(41,834)</u>		<u>(53,932)</u>
Net investment income	\$ 2,992,327		\$ 1,157,903
Conference fees and charges			
Retail sales/award process fees	722,617		840,575
Quest for Excellence conference	-		111,758
Regional conferences and other	<u>158,709</u>	<u>881,326</u>	<u>184,435</u>
Total unrestricted revenues, gains and other support	<u>3,873,653</u>		<u>2,294,671</u>
EXPENSES AND LOSSES			
Program services			
Award expenses			
State Alliance funding	-		50,000
Satellite uplink	-		9,844
Management and support	681,572		1,148,747
Typesetting, printing and distribution	546,558		497,467
Processes	<u>478,591</u>	<u>1,706,721</u>	<u>529,719</u>
Regional conferences		<u>191,834</u>	<u>97,244</u>
Total program services		1,898,555	2,333,021

(continued on next page)

STATEMENTS OF ACTIVITIES AND CHANGES  
IN UNRESTRICTED NET ASSETS  
(continued)  
Years Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
EXPENSES AND LOSSES (continued)		
Supporting services		
General and administrative - Schedule I	<u>171,748</u>	<u>191,582</u>
Total expenses	2,070,303	2,524,603
Losses on investments		
Realized	3,178,089	-
Unrealized	<u>-</u>	<u>4,106,203</u>
Total expenses and losses	<u>5,248,392</u>	<u>6,630,806</u>
Increase (decrease) in unrestricted net assets	(1,374,739)	(4,336,135)
Net assets, beginning of year	<u>19,112,120</u>	<u>23,448,255</u>
NET ASSETS, END OF YEAR	<u>\$ 17,737,381</u>	<u>\$ 19,112,120</u>

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

The Foundation for the Malcolm Baldrige  
National Quality Award, Inc.

STATEMENTS OF CASH FLOWS  
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Years Ended September 30, 2009 and 2008

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase/decrease in unrestricted net assets	\$ (1,374,739)	\$ (4,336,135)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Amortization expense	\$ 20,167	\$ -
Net unrealized and realized (gain) loss on investments	819,849	3,618,583
(Increase) decrease in operating assets		
Accounts receivable	120,868	35,903
Contributions receivable	30,000	67,500
Deposit	-	8,500
Increase (decrease) in operating liabilities		
Accrued expenses	(1,335,355)	246,831
Accounts payable	(13,482)	2,098
	(357,953)	3,979,415
Total adjustments		
Net cash (used) by operating activities	(1,732,692)	(356,720)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	10,889,233	10,080,246
Purchase of investments	(9,612,441)	(9,783,996)
Acquisition of intangible asset	(110,000)	-
	1,166,792	296,250
Net cash provided by investing activities		
Net (decrease) in cash and cash equivalents	(565,900)	(60,470)
Cash and cash equivalents, beginning of year	861,153	921,623
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 295,253	\$ 861,153

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

The Foundation for the Malcolm Baldrige  
National Quality Award, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

Note 1: Summary of Significant Accounting Policies

The financial statements of the Foundation for the Malcolm Baldrige National Quality Award, Inc. (the Foundation) have been prepared on the accrual basis of accounting (see discussion on program expenses below). The Foundation was organized under the laws of Delaware and under Section 501(c)(3) of the United States Internal Revenue Code as a charitable nonprofit corporation.

Description of Foundation

The Foundation for the Malcolm Baldrige National Quality Award, Inc. was created to provide the private sector a means of accomplishing the following Award objectives: raise sufficient funds to establish an endowment which, when supplemented by fees from Award applicants, would permanently fund the Program; oversee the investment of endowment funds; review Program accomplishments; disburse required funds to the National Institute of Standards and Technology (NIST); and review the plan and approve associated funds requirements for subsequent years to ensure a successful Award program.

The Foundation is intended to function as an endowment fund. The fund is not legally restricted, and the Foundation plans to fund its future operations through earnings derived from its investments and potential additional solicitation.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. As of September 30, 2009, cash and cash equivalents were maintained in bank checking and money market accounts.

Investments

Investments are stated at fair value.

The Foundation adopted an investment policy which outlines the objective target asset allocation mix as follows:

<u>Asset Class</u>	<u>Target</u>
U. S. Large Cap Equity	35%
U. S. Small/Mid Cap Equity	15%
Non-U. S. Equity	10%
U. S. Fixed Income	40%

(continued on next page)

NOTES TO FINANCIAL STATEMENTS  
(continued)  
September 30, 2009

Note 1: Summary of Significant Accounting Policies (continued)

Accounts Receivable

The Foundation records receivables from NIST for proceeds from the Quest for Excellence conference not yet received at year end, which were \$-0- and \$111,758 for 2009 and 2008, respectively. The monies represent funds collected by NIST on-behalf of the Foundation and are paid subsequent to year-end. In addition, the Foundation recorded receivables from 2009 regional conferences for monies received subsequent to year-end.

Contributions Receivable

Contributions are recorded as revenue when an unconditional promise to give is received. Contributions receivable are classified as unrestricted, temporarily restricted, or permanently restricted depending upon the presence or absence of donor imposed restrictions. Since all contributions provided to date have been for support of Foundation activities, without time restrictions, all contributions have been recorded as unrestricted. Contributions are recorded at fair value at the date of donation. Contributions receivable are recorded at the present value of their estimated future cash flows.

Program Expenses

The Foundation sponsors the Malcolm Baldrige National Quality Award for performance excellence in the business, health care, education and nonprofit communities.

The Foundation provides to NIST the funds necessary to support the Quality Award Program, under the requirements of the *Malcolm Baldrige National Quality Improvement Act of 1987*. The Foundation records annual expenses based on the most recent actual data provided by NIST as of September 30, 2009. Subsequent adjustments to this data, based on actual NIST cost incurred, are recorded in the period NIST informs the Foundation. Management does not believe this recording of expenses varies significantly from generally accepted accounting principles.

Use of Estimates

Preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Foundation is exempt from income tax based upon a determination under Section 501(c)(3) of the Internal Revenue Service Code.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS  
(continued)  
September 30, 2009

Note 1: Summary of Significant Accounting Policies (continued)

Date of Management Evaluation

Management has evaluated subsequent events through January 13, 2010, the date on which the financial statements were available to be issued.

Note 2: Investments

Investments are stated at fair value, which is based on quoted market prices at September 30, 2009. Those investments are limited in use to the support of the Quality Award Program and are not restricted as defined in SFAS No. 117, *Financial Statements of Not-For-Profit Organizations*. Investments as of September 30, 2009 and 2008 are comprised of the following:

	<u>2009</u>	<u>2008</u>
State Street Global Advisors		
Money market accounts	\$ 249,303	\$ 704,048
Corporate and U. S. debt securities	4,397,650	7,354,823
Equity securities	7,863,051	11,451,442
Mutual funds	4,903,398	-
	<u>17,413,402</u>	<u>19,510,313</u>
Total investments	<u>\$ 17,413,402</u>	<u>\$ 19,510,313</u>

Investment income for the years ended September 30, 2009 and 2008 consists of:

	<u>2009</u>	<u>2008</u>
Dividends and interest on investments	\$ 672,937	\$ 662,702
Interest on money market accounts	2,984	61,513
Gains and (losses)		
Realized	(3,178,089)	487,620
Unrealized	2,358,240	(4,106,203)
	<u>(143,928)</u>	<u>(2,894,368)</u>
Total investment income (loss)	<u>(143,928)</u>	<u>(2,894,368)</u>
Less fund management fees	<u>(41,834)</u>	<u>(53,932)</u>
Net investment income (loss)	<u>\$ (185,762)</u>	<u>\$ (2,948,300)</u>

The above is presented per Exhibit B.

	<u>2009</u>	<u>2008</u>
Net investment income	\$ 2,992,327	\$ 1,157,903
Losses on investment	<u>(3,178,089)</u>	<u>(4,106,203)</u>
Total investment income (loss)	<u>\$ (185,762)</u>	<u>\$ (2,948,300)</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS  
(continued)  
September 30, 2009

Note 2: Investments (continued)

Fair Value Measurements

The Foundation's investments are reported at fair value in the accompanying statement of financial position.

	Fair Value	Fair Value Measurements at Reporting Date Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<u>September 30, 2009</u>			
Money market accounts	\$ 249,303	\$ 249,303	\$ -
Corporate and U. S. debt securities	4,397,650	-	4,397,650
Equity securities	7,863,051	7,863,051	-
Mutual funds	4,903,398	4,903,398	-
Total	<u>\$ 17,413,402</u>	<u>\$ 13,015,752</u>	<u>\$ 4,397,650</u>
<u>September 30, 2008</u>			
Money market accounts	\$ 704,048	\$ 704,048	\$ -
Corporate and U. S. debt securities	7,354,823	-	7,354,823
Equity securities	11,451,442	11,451,442	-
Total	<u>\$ 19,510,313</u>	<u>\$ 12,155,490</u>	<u>\$ 7,354,823</u>

SFAS No. 157, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs would be used only when Level 1 inputs are not available.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS  
(continued)  
September 30, 2009

Note 2: Investments (continued)

Level 1 Fair Value Measurements

The fair values of money market accounts and mutual funds are based on quoted market prices.

Level 2 Fair Value Measurements

The fair values of corporate and U. S. debt securities and equity securities for which quoted market prices are not available are based on the interest rates and maturity dates of the underlying securities.

Note 3: Program Expenses

As of September 30, 2009 and 2008, total estimated expenses incurred by NIST were \$1,706,721 and \$2,175,930, respectively. Total proceeds from the Quest for Excellence conferences were \$722,617 and \$840,575 for the years 2009 and 2008, respectively. The net amount of \$984,104 and \$1,335,355 for the years 2009 and 2008, respectively, are reimbursable by the Foundation.

Note 4: Contributions Receivable

Contributions receivable consists of unconditional promises to give. The Foundation recognized an allowance for doubtful accounts based on all accounts past due over one year. Under this method, all uncollectible accounts are charged to expense during the year in which the account is declared uncollectible by management. The utilization of this method, although not in conformity with generally accepted accounting principles, does not have a material effect on the accompanying financial statements.

Bad debt expense totaled \$-0- and \$-0- for the years ended September 30, 2009 and 2008, respectively.

Present value of contributions receivable as of September 30, 2009 and 2008 are:

	2009	2008
Less than one year	\$ 50,000	\$ 45,000
One year to five years	-	35,000
	<u>50,000</u>	<u>80,000</u>
Less allowance for doubtful accounts	<u>(20,000)</u>	<u>(20,000)</u>
Total contributions receivable	<u>\$ 30,000</u>	<u>\$ 60,000</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS  
(continued)  
September 30, 2009

Note 5: Concentration of Credit Risk

The Foundation maintains cash balances in an area bank. Accounts at the bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At September 30, 2009 and 2008, cash balances in excess of insured limits totaled \$810,940 and \$661,153, respectively.

Note 6: Intangible Assets

Effective November 18, 2008, the Foundation purchased a five-year license to operate certain specialized software for \$110,000. The cost was capitalized and amortized over a five-year period on a straight-line basis. It is reflected on the financial statements and tax return as intangible assets, net of amortization. For the year ended September 30, 2009, amortization expense was \$20,167.



**ALLISON KNAPP &  
SIEKMANN, LTD.**

CERTIFIED PUBLIC ACCOUNTANTS

January 13, 2010

Board of Directors  
The Foundation for the Malcolm Baldrige  
National Quality Award, Inc.

**INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION**

Our report on our audits of the basic financial statements of The Foundation for the Malcolm Baldrige National Quality Award, Inc. for the fiscal years ended September 30, 2009 and 2008 appears on page 1. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules 1 and 2 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These supplemental schedules are the responsibility of the Foundation's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Allison Knapp + Siekmann, Ltd.*

SCHEDULE 1

The Foundation for the Malcolm Baldrige  
National Quality Award, Inc.

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

Years Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Salary	\$ 63,000	\$ 62,000
Taxes	4,820	4,743
Employee benefits	7,980	7,340
State registration fees	8,359	7,975
Accounting fees	8,200	9,400
Other professional fees	-	775
Banking fees	119	3,704
Internet web hosting	28,042	37,333
Equipment rental	84	112
Board member business expense	15,280	13,732
Travel and meetings	3,910	36,968
Insurance	3,411	2,790
Amortization expense	20,167	-
Miscellaneous	8,376	4,710
	<u>\$ 171,748</u>	<u>\$ 191,582</u>

The Foundation for the Malcolm Baldrige  
National Quality Award, Inc.

SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES

September 30, 2009

	Shares	Cost		Fair Value	
<b>State Street Global Advisors</b>					
<u>Money Market Account</u>					
SSGA Funds Money Market	249,303		\$ 249,303		\$ 249,303
<u>Corporate and U. S. Debt Securities</u>					
Passive Bond Market	416,839		4,196,858		4,397,650
<u>Equity Securities</u>					
Act US Large Cap Growth	321,881	\$ 2,194,466		\$ 2,177,847	
Large Value Index Plus	291,610	2,977,827		2,891,602	
L/S Market Neutral US Equity	34,980	673,456		665,532	
Active REIT	24,462	323,465		361,982	
Russel 2000 Index	95,444	<u>1,265,244</u>	7,434,458	<u>1,766,088</u>	7,863,051
<u>Mutual Funds</u>					
High Yield Bond Fund	281,163	1,618,405		2,100,288	
International Stock Selection Fund	391,081	<u>2,030,776</u>	<u>3,649,181</u>	<u>2,803,110</u>	<u>4,903,398</u>
			<u>\$ 15,529,800</u>		<u>\$ 17,413,402</u>