Annual Report

Uniform Law Foundation

2016

UNIFORM LAW FOUNDATION

2016 Annual Report

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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

With the generous help of many, the Foundation continued to grow stronger during the last year. As you undoubtedly understand, our good intentions cannot translate into tangible successes unless our lofty goals are matched by robust resources. The Foundation Trustees have updated the target size of our unrestricted endowment funds—our new objective is to reach the $20 million mark within the next 10 years.

As our federal government increasingly faces deadlock and, occasionally, dysfunction, the burden of establishing new laws to serve the American people falls increasingly to the States. The ULC's blue ribbon reputation for non-partisan, well-crafted legislation lives on. Our job at the Foundation is to ensure that, regardless of the financial challenges that may come our way, the ULC has the resources to carry out its mission with excellence and reliability.

Whether the ULC is asked to update time-worn uniform laws, or break ground in emerging technology fields, ULF stands ready to supplement, as needed, ULC's core revenue sources.

We know that the spirit of volunteerism thrives in our unique nation, and there are many good causes in need of financial support. We ask that you consider the invaluable contribution ULC makes to commerce and liberty in this great country and carve out space in your charitable portfolio to donate to the Foundation.

It is no exaggeration to say that sustaining the ULC through aid to the Foundation serves a fundamental need for our citizens—the need for laws which treat them fairly, which earn their respect, and which enable them to pursue economic and social advancement under the rule of law.

Howard J. Swibel, *Chair*

Michael Houghton

Edwin Smith

Martha T. Starkey

Charles A. Trost

DONOR RECOGNITION SOCIETIES

Lifetime Fellows

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

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Richard and Sally Ford
Barry C. Hawkins
Michael Houghton
Gene N. Lebrun
Harry D. Leinenweber
Carl H. Lisman
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Thomas J. McCracken, Jr.
James C. McKay, Jr.
Fred H. Miller
Carlyle C. Ring
Edwin E. Smith
Frederick P. Stamp, Jr.
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Distinguished Donor Society

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

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CT Corporation-A Wolters Kluwer Business
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Mandel Foundation
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Fred H. Miller
Brian Mitchell

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
Richard B. Long
Leon M. McCorkle, Jr.
Carlyle C. Ring
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Robert A. Stein
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DONOR RECOGNITION SOCIETIES

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Martha T. Starkey
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—

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Donor Recognition Societies

2016 Annual Campaign Leadership Society

Includes all donors who made a contribution to the ULF in 2016.

Benefactor	**$2,500 and above**

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Motion Picture Association of America
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Patron	**$1,000 - $2,499**

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Donor Recognition Societies

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Nora Winkelman
Lee Yeakel

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.

2016 Memorial and Tribute Gifts

In Memory of Paula Cassidy-Turner
Richard C. Navin

In Memory of Phillip Carroll
Vincent Henderson, II

In Memory of Ronald del Sesto
Richard C. Hite
Elizabeth Kent
Peter F. Langrock
Gene N. Lebrun
Fred and Marcia Miller

In Memory of Richard Ford
Patricia Brumfield Fry
Gail Hagerty and Dale Sandstrom
Peter F. Langrock
Gene N. Lebrun
Richard B. Long
Sallie McClaugherty
Donald E. Mielke
Fred and Marcia Miller
Frederick P. Stamp, Jr.

In Honor of Thomas Jones
Robert L. McCurley

In Memory of Henry Kittleson
Richard C. Hite
Gene N. Lebrun
Fred and Marcia Miller

In Memory of Brokie Lamb
Richard C. Hite
Fred and Marcia Miller

In Memory of Neal Ossen
Gail Allen
Deborah E. Behr
Martha Belliveau
David D. Biklen
William R. Breetz, Jr.
Martin Burke
Robert Farr
Patricia Brumfield Fry
Phyllis Greenstein
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Gene N. Lebrun
David McCluskey
Leon M. McCorkle
Donald E. Mielke
Arthur H. Peterson
Raphael L. Podolsky
Frederick P. Stamp, Jr.
Micheal Straus

In Memory of Lawrence Reuben
Martha T. Starkey

In Memory of Robert Robinson
Gail Hagerty
Peter F. Langrock
Gene Lebrun
Donald E. Mielke

In Memory of Millard Ruud
Lee Yeakel

In Memory of Hiroshi Sakai
Donald E. Mielke

In Honor of Harry Tindall
Todd Heckel

In Honor of Howard Swibel
David D. Biklen
Lee Yeakel

In Honor of Richard Long
Justin L. Vigdor

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, 2016 and 2015, and the related statements of activities, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Uniform Law Foundation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Ostrow Reisin Berk & Abrams, Ltd.
May 31, 2017

STATEMENTS OF FINANCIAL POSITION

December 31,		**2016**		2015
ASSETS				
Cash	$	**239,306**	$	314,760
Investments		**7,580,524**		7,247,024
Unconditional promises to give		**3,925**		7,030
Accrued interest receivable		**26,348**		23,272
Due from related party				36,903
Rent receivable		**47,116**		38,994
Prepaid expenses		**4,000**		
Office condominium and improvements, net of accumulated depreciation of $581,254 in 2016 and $516,875 in 2015		**1,929,491**		1,993,870
Lease incentive, net		**76,694**		80,361
Total assets	**$**	**9,907,404**	**$**	9,742,214
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	$	**8,352**	$	10,139
Grants payable		**89,479**		55,950
Bond payable		**2,653,527**		2,649,358
Security deposit		**500,000**		500,000
Derivative liability - interest rate swap		**294,976**		361,701
Total liabilities		**3,546,334**		3,577,148
Net assets:				
Unrestricted		**6,333,179**		6,124,675
Temporarily restricted		**27,891**		40,391
Total net assets		**6,361,070**		6,165,066
Total liabilities and net assets	**$**	**9,907,404**	$	9,742,214

See notes to financial statements.

STATEMENTS OF ACTIVITIES

Years ended December 31,	**2016**	2015
Unrestricted net assets:		
Support and Revenue:		
Contributions	$ **49,962**	$ 40,809
Benefit dinner, net of related costs of $46,209 in 2016 and $42,283 in 2015	**7,066**	8,702
Rental income	**276,846**	272,872
Interest and dividend income	**154,530**	171,274
Realized and unrealized net gain (loss) on investments	**128,031**	(143,554)
Fair value adjustment on interest rate swap agreement	**66,725**	21,762
Net assets released from restrictions	**26,500**	21,250
Total support and revenue	**709,660**	393,115
Expenses:		
Condominium association fees	**110,668**	105,416
Interest expense	**93,676**	89,798
Bond fees	**35,545**	32,586
Grants	**120,001**	136,587
General and administrative expenses	**45,955**	45,807
Depreciation and amortization	**68,548**	68,548
Annual meeting expenses	**26,763**	33,267
Total expenses	**501,156**	512,009
Increase (decrease) in unrestricted net assets	**208,504**	(118,894)
Temporarily restricted net assets:		
Support:		
Contributions	**14,000**	40,750
Net assets released from restrictions:		
Support for annual meeting and benefit dinner	**(26,500)**	(21,250)
Increase (decrease) in temporarily restricted net assets	**(12,500)**	19,500
Increase (decrease) in total net assets	**$ 196,004**	$ (99,394)

See notes to financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

	Unrestricted	Temporarily restricted	Total
Balances, January 1, 2015	$ 6,243,569	$ 20,891	$ 6,264,460
Increase (decrease) in total net assets	(118,894)	19,500	(99,394)
Balances, December 31, 2015	**6,124,675**	**40,391**	**6,165,066**
Increase (decrease) in total net assets	**208,504**	**(12,500)**	**196,004**
Balances, December 31, 2016	**$ 6,333,179**	**$ 27,891**	**$ 6,361,070**

See notes to financial statements.

STATEMENTS OF CASH FLOWS

Years ended December 31,		**2016**		2015
Cash flows from operating activities:				
Increase (decrease) in net assets	**$**	**196,004**	$	(99,394)
Adjustments to reconcile increase (decrease) in total net assets to net cash provided by operating activities:				
Realized and unrealized net (gain) loss on investments		**(128,031)**		143,554
Amortization of bond premium and discount		**19,145**		17,189
Depreciation		**64,379**		64,379
Amortization of lease incentive		**3,667**		3,667
Amortization of bond issuance costs		**4,169**		4,169
Fair value adjustment on interest rate swap agreement		**(66,725)**		(21,762)
(Increase) decrease in operating assets:				
Unconditional promises to give		**3,105**		8,080
Accrued interest receivable		**(3,076)**		(5,037)
Due from related party		**36,903**		(12,027)
Rent receivable		**(8,122)**		13,474
Prepaid expenses		**(4,000)**		2,400
Increase (decrease) in operating liabilities:				
Accounts payable		**(1,787)**		(3,326)
Grants payable		**33,529**		28,753
Net cash provided by operating activities		**149,160**		144,119
Cash flows from investing activities:				
Proceeds from sale of investments		**2,698,580**		2,165,467
Purchases of investments		**(2,923,194)**		(2,226,125)
Net cash used in investing activities		**(224,614)**		(60,658)
Net increase (decrease) in cash		**(75,454)**		83,461
Cash, beginning of year		**314,760**		231,299
Cash, end of year	**$**	**239,306**	$	314,760
Supplemental disclosure of cash flow information:				
Interest paid during the year	**$**	**93,676**	$	89,798

See notes to financial statements.

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 8). 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

Basis of accounting:
The financial statements have been prepared on the accrual basis of accounting.

Financial statements:
The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. There were no permanently restricted net assets as of December 31, 2016 and 2015.

Cash:
The Foundation maintains its cash in bank accounts which, at times, may exceed federally-insured limits. The Foundation did not have cash balances in excess of federally-insured limits at December 31, 2016 and 2015. Management believes that the Foundation is not exposed to any significant credit risk on cash.

Fair value measurements:
The Foundation defines fair value and specifies 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

See Note 3 – fair value of financial instruments.

Office condominium and improvements and related depreciation:
The office condominium is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful life of the office condominium.

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

Contributions and contributed services:
Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized. All other temporarily restricted support is reclassified to unrestricted net assets upon satisfaction of the restriction. There were no permanently restricted contributions for the years ended December 31, 2016 and 2015.

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.

Donated assets:
Donated marketable securities are recorded as contributions at their fair values at the date of donation. There were no donated assets for the years ended December 31, 2016 and 2015.

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

Newly adopted accounting pronouncement:
Upon adoption of Accounting Standards Update (ASU) 2015-03, "Interest - Imputation of Interest - Simplifying the Presentation of Debt Issuance Costs" (ASU 2015-03), the Foundation now includes unamortized bond issuance costs as a reduction of bond payable on the statements of financial postion. For comparability purposes, the adoption of the new pronouncement has been applied retroactively to 2015 to conform to the 2016 presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amoritzation of bond issuance costs:
Bond issuance costs are amortized 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.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Foundation in estimating the fair value of its financial instruments:

Level 1:

Investments:
The fair value of investments in marketable equity and debt securities is based on quoted market prices.

Level 2:

Bond payable:
The carrying amount of the bond payable approximates its fair value.

Interest rate swap:
The interest rate swap 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.

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 has investments in domestic and foreign corporate debt instruments, real estate investment trusts, mutual funds and corporate stock. These investments are stated at fair value. The debt investments bear interest at rates between 3.000% and 9.375% and mature at various dates through December 2049.

4. INVESTMENTS (continued)

Investments at December 31, 2016 and 2015 are summarized as follows:

December 31, 2016	**Cost**	**Fair value**	**Net unrealized gain (loss)**
Common stock	**$ 2,019,637**	**$ 3,040,193**	**$ 1,020,556**
Bonds and notes	**1,548,162**	**1,547,518**	**(644)**
Mutual funds	**2,120,837**	**2,391,810**	**270,973**
Preferred securities	**187,892**	**186,039**	**(1,853)**
Real estate investment trusts	**101,155**	**100,682**	**(473)**
U.S. Government agency securities	**316,650**	**314,282**	**(2,368)**
Total investments	**$ 6,294,333**	**$ 7,580,524**	**$ 1,286,191**

December 31, 2015	**Cost**	**Fair value**	**Net unrealized gain (loss)**
Common stock	$ 1,869,625	$ 2,954,849	$ 1,085,224
Bonds and notes	1,535,187	1,482,937	(52,250)
Mutual funds	2,128,267	2,354,371	226,104
Preferred securities	248,566	246,361	(2,205)
U.S. Government agency securities	211,503	208,506	(2,997)
Total investments	$ 5,993,148	$ 7,247,024	$ 1,253,876

5. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2016 and 2015 are as follows:

December 31,	**2016**	2015
Receivable in less than one year	**$ 3,925**	$ 6,330
Receivable in one to four years		700
Total unconditional promises to give	**$ 3,925**	$ 7,030

6. GRANTS

At December 31, 2016 and 2015, grants payable consisted of the following:

December 31,		2016		2015
National Conference of Commissioners on Uniform State Laws:				
2017 Annual meeting	**$**	**20,000**	$	20,000
2016 Annual meeting				20,000
International Committee Consultant		**25,654**		
Study and Monitoring Committee Reporter Stipends		**36,500**		
CARLA Conference Participation		**4,825**		
Scholars Program		**2,500**		2,500
Plain language text project for garnishment act				13,450
Total grants payable	**$**	**89,479**	$	55,950

For the years ended December 31, 2016 and 2015, grants authorized consisted of the following:

Years ended December 31,		2016		2015
National Conference of Commissioners on Uniform State Laws:				
International Committee Consultant	**$**	**50,000**		
Study and Monitoring Committee Reporter Stipends		**40,000**		
Fellows Program		**28,176**	$	56,437
CARLA Conference Participation		**4,825**		
2015 Annual meeting				20,000
2016 Annual meeting				20,000
2017 Annual meeting				20,000
Plain language project for garnishment act		**(3,000)**		13,450
Scholars Program				2,500
2016 Annual meeting mobile application project				4,200
Total grants expense		**$ 120,001**	$	136,587

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2016 and 2015 are as follows:

December 31,		2016		2015
Annual meetings and benefit dinner	**$**	**22,500**	$	35,000
Commercial Finance Association to support drafting projects		**5,391**		5,391
Total temporarily restricted net assets	**$**	**27,891**	$	40,391

7. TEMPORARILY RESTRICTED NET ASSETS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose of donations during the years ended December 31, 2016 and 2015 as follows:

Years ended December 31,		2016		2015
Annual meeting and benefit dinner	$	26,500	$	21,250

8. RELATED PARTY TRANSACTIONS

General and administrative and fundraising costs are usually paid by the Conference, which is related through commons 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 their bank. As of December 31, 2016 and 2015, there was no receivable balance on this line of credit.

During 2015, the Foundation made a conditional promise to give of $200,000 in connection with the Conference's fellows program for the program year beginning on September 1, 2015. As of December 31, 2015, $26,594 had been awarded to the Conference for the grant period from September 1, 2015 through August 31, 2016. No additional amounts were awarded in 2016 and the remaining amount of $173,406 was unused and expired at the end of the grant period.

During 2016, the Foundation made a conditional promise to give of $100,000 in connection with the Conference's fellows program for the program year beginning August 22, 2016. As of December 31, 2016, $28,176 had been awarded to the Conference for the grant period from August 22, 2016 through August 21, 2017.

The Foundation leases its office condominium to the Conference under an operating lease for a thirty-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, 2016 and 2015 was $276,846 and $272,872, 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.

8. RELATED PARTY TRANSACTIONS (continued)

The future minimum rentals to be received are as follows:

Year ending December 31:		Amount
2017	$	277,378
2018		282,925
2019		288,584
2020		294,356
2021		300,243
Thereafter		5,673,253
Total	$	7,116,739

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, 2016 and 2015, the lease incentive amortization was $3,667.

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

9. 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. 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.

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.

9. BOND PAYABLE (continued)

The loan agreement requires the Foundation to comply with certain financial covenants. For the years ended December 31, 2016 and 2015, 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 at December 31, 2016 and 2015 is as follows:

December 31,	**2016**	2015
Bond payable	**$ 2,740,000**	$ 2,740,000
Less unamortized bond issuance costs	**86,473**	90,642
Bond payable, net	**$ 2,653,527**	$ 2,649,358

10. 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, 2016 and 2015, was a negative cumulative fair value adjustment of $294,976 and $361,701, 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.

The Series 2007 bond issued through the Illinois Finance Authority is secured 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 secures 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, 2018 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 secured 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.

11. SUBSEQUENT EVENTS

Management of the Foundation has reviewed and evaluated subsequent events from December 31, 2016, the financial statement date, through ________, 2017, the date the financial statements were available to be issued. No events have occurred in this period that would be required to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.

UNIFORM LAW FOUNDATION

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