

**THE WOODROW WILSON NATIONAL  
FELLOWSHIP FOUNDATION**

**FINANCIAL STATEMENTS**

June 30, 2013

**THE WOODROW WILSON NATIONAL FELLOWSHIP FOUNDATION**

TABLE OF CONTENTS

June 30, 2013

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	<u>Page Number</u>
<b>Financial Statements</b>	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Cash Flows .....	5
Notes to Financial Statements .....	6
<b>Supplementary Information</b>	
Schedule of Functional Expenses .....	13

**THE WOODROW WILSON NATIONAL FELLOWSHIP FOUNDATION**

STATEMENT OF FINANCIAL POSITION

June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>ASSETS</b>				
Current Assets				
Cash and equivalents	\$ 1,886,864	\$ -	\$ -	\$ 1,886,864
Unconditional promises to give, current portion	658,571	7,442,374	-	8,100,945
Prepaid expenses and other current assets	<u>114,702</u>	<u>-</u>	<u>-</u>	<u>114,702</u>
Total Current Assets	2,660,137	7,442,374	-	10,102,511
Investments				
Unconditional promises to give, noncurrent portion	771,059	19,175,442	1,629,695	21,576,196
Property and equipment, at cost, net of accumulated depreciation	-	7,191,984	-	7,191,984
Security deposits	87,706	-	-	87,706
Total Assets	<u>26,302</u>	<u>-</u>	<u>-</u>	<u>26,302</u>
	<u>\$ 3,545,204</u>	<u>\$ 33,809,800</u>	<u>\$ 1,629,695</u>	<u>\$ 38,984,699</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities				
Current Liabilities				
Accounts payable and accrued expenses	\$ 218,573	\$ -	\$ -	\$ 218,573
Fellowships payable	2,451,500	-	-	2,451,500
Capital lease payable, current portion	16,860	-	-	16,860
Accrued vacation and payroll	<u>182,656</u>	<u>-</u>	<u>-</u>	<u>182,656</u>
Total Current Liabilities	2,869,589	-	-	2,869,589
Capital leases payable, noncurrent portion	<u>23,502</u>	<u>-</u>	<u>-</u>	<u>23,502</u>
Total Liabilities	2,893,091	-	-	2,893,091
Net Assets	<u>652,113</u>	<u>33,809,800</u>	<u>1,629,695</u>	<u>36,091,608</u>
Total Liabilities and Net Assets	<u>\$ 3,545,204</u>	<u>\$ 33,809,800</u>	<u>\$ 1,629,695</u>	<u>\$ 38,984,699</u>

See notes to financial statements.

# THE WOODROW WILSON NATIONAL FELLOWSHIP FOUNDATION

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Other Revenue				
Public Support				
Government	\$ 4,449,081	\$ 83,094	\$ -	\$ 4,532,175
Foundations	-	13,696,803	-	13,696,803
Corporations	-	20,000	-	20,000
Individuals	1,789,669	1,275,468	586	3,065,723
Net assets released from restrictions	<u>10,782,543</u>	<u>(10,056,290)</u>	<u>(726,253)</u>	<u>-</u>
Total Public Support	17,021,293	5,019,075	(725,667)	21,314,701
Other Revenue				
Investment income	118,926	102,023	-	220,949
Miscellaneous income	<u>(604)</u>	<u>796</u>	<u>-</u>	<u>192</u>
Total Public Support and Other Revenue	<u>17,139,615</u>	<u>5,121,894</u>	<u>(725,667)</u>	<u>21,535,842</u>
Expenses				
Program Services				
Higher Education Fellowships	6,394,286	-	-	6,394,286
Teaching Fellowships	8,628,589	-	-	8,628,589
School Partnerships	<u>213,178</u>	<u>-</u>	<u>-</u>	<u>213,178</u>
Total Program Services	<u>15,236,053</u>	<u>-</u>	<u>-</u>	<u>15,236,053</u>
Supporting Services				
Management and general	1,441,384	-	-	1,441,384
Fundraising	<u>1,187,421</u>	<u>-</u>	<u>-</u>	<u>1,187,421</u>
Total Supporting Services	<u>2,628,805</u>	<u>-</u>	<u>-</u>	<u>2,628,805</u>
Total Expenses	<u>17,864,858</u>	<u>-</u>	<u>-</u>	<u>17,864,858</u>
Change in net assets	(725,243)	5,121,894	(725,667)	3,670,984
Net assets, beginning of year	<u>1,377,356</u>	<u>28,687,906</u>	<u>2,355,362</u>	<u>32,420,624</u>
Net assets, end of year	<u>\$ 652,113</u>	<u>\$ 33,809,800</u>	<u>\$ 1,629,695</u>	<u>\$ 36,091,608</u>

See notes to financial statements.

# THE WOODROW WILSON NATIONAL FELLOWSHIP FOUNDATION

## STATEMENT OF CASH FLOWS

Year Ended June 30, 2013

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Cash Flows from Operating Activities	
Change in net assets	\$ 3,670,984
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	53,097
Provision for uncollectible promises to give	100,000
Realized loss on sale of investments	6,924
Unrealized loss on investments	33,037
Donated securities	(598,444)
Increase (decrease) in cash from:	
Unconditional promises to give	(8,472,017)
Prepaid expenses and other current assets	(86,313)
Accounts payable and accrued expenses	(79,360)
Fellowships payable	(838,500)
Accrued vacation	39,313
Net cash from operating activities	<u>(6,171,279)</u>
Cash Flows from Investing Activities	
Purchase of property and equipment	(8,660)
Purchases of investments	(19,293,106)
Proceeds from sales of investments	<u>25,506,589</u>
Net cash from investing activities	<u>6,204,823</u>
Cash Flows from Financing Activities	
Principal payments on capital leases	<u>(23,590)</u>
Net cash from financing activities	<u>(23,590)</u>
Net change in cash and equivalents	9,954
Cash and equivalents, beginning of year	<u>1,876,910</u>
Cash and equivalents, end of year	<u>\$ 1,886,864</u>
Supplemental Disclosure of Cash Flow Information	
Interest paid on capital leases	<u>\$ 1,439</u>
Supplemental Disclosure of Non-cash Investing and Financing Activities	
Capital lease payable incurred in the purchase of equipment	<u>\$ 40,017</u>
Donated securities	<u>\$ 598,444</u>

# THE WOODROW WILSON NATIONAL FELLOWSHIP FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### A. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of Organization**

The Woodrow Wilson National Fellowship Foundation (the "Foundation") is a not-for-profit charitable organization located in Princeton, New Jersey. The primary mission of the Foundation is to identify and develop leaders and institutions to meet the nation's critical challenges, working through education.

As a fellowship organization, the Foundation focuses primarily on Higher Education Fellowships and Teaching Fellowships.

The Higher Education Fellowships include a suite of fellowships that support the development of future leaders at a variety of career stages in several critical fields. These programs strengthen the representation of diverse groups in the professoriate; support the work of emerging scholars and young faculty in the social sciences and humanities; and prepare experts for the United States Foreign Service.

The Teaching Fellowships represent a major effort to recruit, prepare and mentor candidates for teaching in high-need subjects like mathematics and the sciences, transform their clinical preparation for teaching, and support their commitment to long-term careers in high-need urban and rural schools.

#### **Basis of Accounting**

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

#### **Basis of Presentation**

The Foundation presents its financial statements according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met by the actions of the Foundation or the passage of time. Unrestricted net assets are not subject to donor-imposed stipulations on when or how they can be spent.

#### **Cash Equivalents**

Cash equivalents include time deposits with original maturities of ninety days or less, and exclude money market funds included in the investment portfolio.

# THE WOODROW WILSON NATIONAL FELLOWSHIP FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### A. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at fair value in the statement of financial position. Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the investment in an orderly transaction between market participants on the measurement date. Fair value measurement framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The asset's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The fair values of the Foundation's investments are determined by the quoted market price, which is a level 1 measurement.

Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Interest and dividend income is recognized when earned.

#### Contributions and Promises to Give

Contributions and foundation grants are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Unconditional promises to give are reported at net realizable value if, at the time the promise is made, payment is expected to be received in one year or less. Unconditional promises that are expected to be collected in more than one year are reported at net present value using prevailing interest rates.

In estimating the fair value of unconditional promises to give, management considers promises of \$5,000 or more individually. The relationship with the donor, the donor's past history of making timely payments, and the donor's overall creditworthiness are considered and incorporated into a fair value measurement computed using present value techniques. Unconditional promises to give less than \$5,000 are measured in the aggregate using present value techniques, and management considers historical trends of collection, the type of donor (individual, corporation/foundation), general economic conditions in the geographical area in which the majority of the donors live, the Foundation's policies concerning enforcement of promises to give, and market interest rate assumptions. The change in amortization of the discount for the time value of money, computed using the effective interest rate method, is reported as contribution revenue.

Contributions of donated noncash assets are recorded at fair value in the period received.

Grant revenue on cost-reimbursement grants or contracts is recognized when the program expenditures have been incurred.

# THE WOODROW WILSON NATIONAL FELLOWSHIP FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### A. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Property and Equipment

Property and equipment acquired are recorded at cost. It is the Foundation's policy to capitalize expenditures for individual items costing in excess of \$5,000. Lesser amounts are expensed. Property and equipment are depreciated over the useful life of the related assets using the straight-line method, with a half year depreciation recognized in the years of acquisition and disposal. Repairs and maintenance that do not extend the useful lives of the related assets are expensed as incurred.

#### Fellowships and Grants

Fellowships are recorded as expenses at the time the individual accepts the award and are generally payable within one year. Tuition assistance and room and board are recorded when the expense has been incurred.

#### Estimates

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

#### Income Taxes

The Foundation has received a determination letter from the Internal Revenue Service concluding that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation and qualifies for tax deductible contributions.

Management has evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the Financial Accounting Standards Board's guidance on accounting for uncertainty in income taxes. With few exceptions, the Foundation is no longer subject to income tax examinations by the Internal Revenue Service for fiscal years prior to June 30, 2010.

#### Functional Expense Allocation

The costs of providing program services and support services of the Foundation have been summarized on a functional basis in the statement of activities. Accordingly, certain operating costs have been allocated among the functional categories according to the reasonable benefit that the programs derived from these expenses.

### B. ENDOWMENT POLICY

The Foundation's endowment consists of six individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

# THE WOODROW WILSON NATIONAL FELLOWSHIP FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### B. ENDOWMENT POLICY (CONTINUED)

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") to require standard care that is reasonable and prudent over its endowed funds. The Foundation currently classifies permanently restricted net assets at the original historic dollar value of gifts donated to the permanent endowment. The remaining portion of the endowment funds is classified as temporarily restricted until appropriated for expenditure.

Spending from the endowment equals interest and investment income, realized and unrealized gains. Funds from earnings on permanently restricted net assets appropriated for expenditure are expended according to donor restrictions and are classified as net assets released from restrictions on the accompanying statement of activities.

The Board of Trustees has adopted the investment objective of preserving the endowment's principal by investing in high quality instruments. The return on endowment funds includes dividends, interest and capital gains less any capital losses and expenses. The holdings must adhere to asset allocation ranges in the Foundation's Investment Policy Statement, and the securities held must be appropriate for the portfolio objectives, asset class and investment style of the funds selected under the Foundation's investment management process.

Changes in endowment net assets for the year ended June 30, 2013, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Invested endowment balance, June 30, 2012	\$ -	\$ -	\$ 2,355,362	\$ 2,355,362
Interest and investment income	25,130	29,317	-	54,447
Investment fees	(2,141)	(2,510)	-	(4,651)
Net appreciation (realized and unrealized)	37,705	43,517	-	81,222
Net investment return	60,694	70,324	-	131,018
Contributions	-	-	586	586
Released from restriction	-	726,253	(726,253)	-
Appropriated for expenditure	(60,694)	(796,577)	-	(857,271)
Subtotal	-	-	1,629,695	1,629,695
Invested endowment balance, June 30, 2013	\$ -	\$ -	\$ 1,629,695	\$ 1,629,695

During the year ended June 30, 2013, the Foundation received permission from certain of its donors to release its Women's Studies Endowment from permanent restriction and allow expenditure of these funds for Women's Studies fellowships. As such, permanently restricted net assets in the amount of \$726,253 were released from restriction and appropriated for expenditure as temporarily restricted funds.

### C. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2013:

Teaching Fellowships	\$ 28,118,908
Higher Education Fellowships	5,566,462
School Partnerships	54,597
Charitable Annuity Trusts	69,833
Total temporarily restricted net assets	<u>\$ 33,809,800</u>

# THE WOODROW WILSON NATIONAL FELLOWSHIP FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### C. RESTRICTIONS ON NET ASSETS (CONTINUED)

Permanently restricted net assets consist of the following endowment funds at June 30, 2013:

Humanities Initiatives Fund	\$ 603,609
Richard W. Couper Humanities Initiative Funds	400,000
Taplin Endowment	379,825
Goheen Endowment	120,375
Rosenhaupt Endowment	33,092
General Endowment	<u>92,794</u>
Total permanently restricted net assets	<u>\$ 1,629,695</u>

The earnings on the endowments are to be used for the various program initiatives as stipulated by the donors.

### D. CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash balances in a financial institution with a branch located in Princeton, New Jersey. Certain balances are insured by the Federal Deposit Insurance Corporation ("FDIC").

The Foundation maintains its investment balances in several financial institutions. The balances are insured by the Securities Investor Protection Corporation ("SIPC") up to \$500,000 per customer. The SIPC does not protect investors from market risks.

As of June 30, 2013, approximately 59% and 22% of the Foundation's gross unconditional promises to give were from two entities.

### E. INVESTMENTS

Investments (all Level 1 measurements) are carried at fair value based on quoted prices in active markets and consist of the following at June 30, 2013:

	<u>Cost</u>	<u>Fair Value</u>	Unrealized (Depreciation) <u>Appreciation</u>
Cash equivalents	\$ 352,578	\$ 352,578	\$ -
U.S. government obligations	20,237,752	20,180,826	(56,926)
Corporate stocks	725,000	836,941	111,941
Corporate bonds	<u>205,855</u>	<u>205,851</u>	<u>(4)</u>
Total	<u>\$ 21,521,185</u>	<u>\$ 21,576,196</u>	<u>\$ 55,011</u>

Investment income consists of the following for the year ended June 30, 2013:

Interest and dividend income	\$ 260,910
Realized loss on sale of investments	(6,924)
Unrealized loss on investments	<u>(33,037)</u>
Total investment income	<u>\$ 220,949</u>

Bank and investment management fees were \$65,282 for the year ended June 30, 2013.

# THE WOODROW WILSON NATIONAL FELLOWSHIP FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### F. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following at June 30, 2013:

Teaching Fellowships	\$ 13,847,578
Higher Education Fellowships	1,342,354
Annual Fund	5,365
President's Venture Fund	<u>500,000</u>
Total unconditional promises to give	15,695,297
Less discount to net present value	(102,368)
Less allowance for uncollectible promises	<u>(300,000)</u>
Net unconditional promises to give	<u>\$ 15,292,929</u>

Unconditional promises to give in the amount of \$7,294,352 due after June 30, 2014, are discounted at the three year treasury rate.

### G. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2013:

	<u>Life/Years</u>	
Furniture and equipment	3-5	\$ 179,950
Equipment held under capital leases	3-5	<u>65,341</u>
Subtotal property and equipment		245,291
Less: accumulated depreciation		<u>(157,585)</u>
Net property and equipment		<u>\$ 87,706</u>

### H. CAPITAL LEASE OBLIGATIONS

The Foundation leases certain equipment under capital leases. The assets and liabilities are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. This amortization is included in depreciation expense.

The future lease payments under capital leases are as follows:

<u>Year Ending June 30,</u>	
2014	\$ 16,860
2015	13,375
2016	<u>10,127</u>
	<u>\$ 40,362</u>

# THE WOODROW WILSON NATIONAL FELLOWSHIP FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### **I. COMMITMENTS AND CONTINGENCIES**

Government supported programs are subject to audit by the granting agency.

The Foundation leases office space under a non-cancelable operating lease that provides for minimum annual rental payments through the year ending June 30, 2020.

Under its various programs, the Foundation has committed grants to individuals and organizations. The payments are contingent on successful completion of the current year obligation before any future payments will be made. The total commitment as of June 30, 2013, was approximately \$6,088,467.

The Foundation has entered into contracts with the United States Department of State to administer the Thomas R. Pickering Foreign Affairs Fellowship Programs. The available funds remaining on these contracts as of June 30, 2013, were \$9,428,412. Revenue under these contracts will be recognized in future years as the Foundation incurs expenditures per the terms and conditions of the contracts.

### **J. RETIREMENT PLAN**

The Foundation has a contributory defined contribution retirement plan under Section 403(b). Employees that meet certain eligibility criteria are eligible to participate. Employees are fully vested in the plan when they become eligible to participate. The Foundation matches employee contributions up to 10% of the employee's salary, provided the employee contributes a minimum of 5% of their salary to the plan. The Foundation's contribution to the plan for the year ended June 30, 2013, was \$333,200. The plan is administered by TIAA-CREF.

### **K. EVALUATION OF SUBSEQUENT EVENTS**

Management has evaluated events that occurred after June 30, 2013, but before October 10, 2013, the date the financial statements were available to be issued. No items were determined by management to require disclosure.

## **SUPPLEMENTARY INFORMATION**

**THE WOODROW WILSON NATIONAL FELLOWSHIP FOUNDATION**

**SCHEDULE OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2013

	Program Services				Supporting Services			Total Expenses
	Higher Education Fellowships	Teaching Fellowships	School Partnerships	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Grants and fellowships to individuals and organizations	\$ 4,744,371	\$ 5,289,374	\$ 33,650	\$ 10,067,395	\$ -	\$ -	\$ -	\$ 10,067,395
Salaries, fringe benefits and payroll taxes	1,125,437	1,691,844	66,324	2,883,605	812,131	772,367	1,584,498	4,468,103
Service and professional fees	163,157	1,066,544	71,177	1,300,878	150,287	226,912	377,199	1,678,077
Travel and accommodations	247,134	487,911	26,689	761,734	70,543	77,616	148,159	909,893
Printing, postage, delivery, copying and other office expenses	103,341	84,298	15,272	202,911	313,418	106,682	420,100	623,011
Bank and investment fees	10,846	8,618	66	19,530	41,908	3,844	45,752	65,282
Total expenses before depreciation	6,394,286	8,628,589	213,178	15,236,053	1,388,287	1,187,421	2,575,708	17,811,761
Depreciation	-	-	-	-	53,097	-	53,097	53,097
Total Expenses	<u>\$ 6,394,286</u>	<u>\$ 8,628,589</u>	<u>\$ 213,178</u>	<u>\$ 15,236,053</u>	<u>\$ 1,441,384</u>	<u>\$ 1,187,421</u>	<u>\$ 2,628,805</u>	<u>\$ 17,864,858</u>

See notes to financial statements.