
***HARRY S. TRUMAN LIBRARY
INSTITUTE FOR NATIONAL AND
INTERNATIONAL AFFAIRS***
*FINANCIAL STATEMENTS
SEPTEMBER 30, 2017*

Contents

	Page
Independent Auditors' Report	1 - 3
 Financial Statements (Modified Cash Basis)	
Statement Of Cash, Investments And Net Assets	4
Statement Of Support And Revenues, Expenses And Changes In Net Assets.....	5
Statement Of Functional Expenses	6
Notes To Financial Statements.....	7 - 19
 Supplementary Information	
Independent Auditors' Report On Supplementary Information	20
Summary Of Net Assets And Other Resources	21
Note To Summary Of Net Assets And Other Resources.....	22 - 23
Summary Of Pledges Receivable.....	24



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Independent Auditors' Report

Board of Directors
Harry S. Truman Library Institute
For National and International Affairs
Kansas City, Missouri

Report On The Financial Statements

We have audited the accompanying financial statements of the Harry S. Truman Library Institute For National and International Affairs which comprise the modified cash basis statement of cash, investments and net assets as of September 30, 2017, and the related modified cash basis statements of support and revenues, expenses and changes in net assets and functional expenses for the year 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 the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 audit. We conducted our audit 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 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 cash, investments and net assets of the Harry S. Truman Library Institute For National and International Affairs as of September 30, 2017, and the changes in net assets for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis Of Accounting

As described in Note 2, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Summarized Comparative Information

We have previously audited the Harry S. Truman Library Institute For National and International Affairs' 2016 financial statements, and our report dated February 3, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Information

The information marked “unaudited” on Pages 5 and 6 is not a required part of the basic financial statements, and we did not audit and, therefore, do not express an opinion on such information.

RubinBrown LLP

February 1, 2018

**HARRY S. TRUMAN LIBRARY INSTITUTE
FOR NATIONAL AND INTERNATIONAL AFFAIRS**

**STATEMENT OF CASH, INVESTMENTS AND NET ASSETS
(MODIFIED CASH BASIS)**

	September 30,	
	2017	2016
Cash	\$ 49,117	\$ 117,346
Investments	12,710,182	11,782,631
Total Cash And Investments	\$ 12,759,299	\$ 11,899,977
Net Assets		
Unrestricted		
Board designated		
Endowment fund	\$ 2,453,392	\$ 2,231,763
Reserve fund	231,526	512,907
Preventative maintenance fund	446,174	396,253
Undesignated	2,845,226	3,097,384
	5,976,318	6,238,307
Temporarily restricted	3,279,833	2,158,522
Permanently restricted	3,503,148	3,503,148
Total Net Assets	\$ 12,759,299	\$ 11,899,977

**HARRY S. TRUMAN LIBRARY INSTITUTE
FOR NATIONAL AND INTERNATIONAL AFFAIRS**

**STATEMENT OF SUPPORT AND REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(MODIFIED CASH BASIS)**

For The Year Ended September 30, 2017

(With Summarized Financial Information For The Year Ended September 30, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Budget 2017 (Unaudited)	Comparative Totals For 2016
Support And Revenues						
Interest and dividends	\$ 121,873	\$ 118,860	\$ —	\$ 240,733	\$ 243,500	\$ 225,574
Contributions and grants	12,271	1,918,954	—	1,931,225	1,528,000	707,901
Annual memberships	249,826	—	—	249,826	275,000	283,980
Special event income, net of related expenses - \$112,164	391,489	—	—	391,489	391,000	386,069
White House Decision Center revenues	—	72,034	—	72,034	70,000	70,657
Other revenue	9,702	4,650	—	14,352	10,000	33,814
	785,161	2,114,498	—	2,899,659	2,517,500	1,707,995
Net assets released from restrictions	1,514,558	(1,514,558)	—	—	—	—
Total Support And Revenues	2,299,719	599,940	—	2,899,659	2,517,500	1,707,995
Expenses						
Program expenses	1,640,107	—	—	1,640,107	1,684,100	1,218,565
Management and general	1,135,363	—	—	1,135,363	1,137,105	329,737
Fundraising	385,202	—	—	385,202	394,000	267,485
Total Expenses	3,160,672	—	—	3,160,672	3,215,205	1,815,787
Support And Revenues Over (Under) Expenses	(860,953)	599,940	—	(261,013)	<u>\$ (697,705)</u>	(107,792)
Net unrealized gains on investments	461,641	278,875	—	740,516		397,314
Net realized gains on investments	137,323	242,496	—	379,819		449,231
Increase (Decrease) In Net Assets	(261,989)	1,121,311	—	859,322		738,753
Net Assets - Beginning Of Year	6,238,307	2,158,522	3,503,148	11,899,977		11,161,224
Net Assets - End Of Year	<u>\$ 5,976,318</u>	<u>\$ 3,279,833</u>	<u>\$ 3,503,148</u>	<u>\$ 12,759,299</u>		<u>\$ 11,899,977</u>

**HARRY S. TRUMAN LIBRARY INSTITUTE
FOR NATIONAL AND INTERNATIONAL AFFAIRS**

**STATEMENT OF FUNCTIONAL EXPENSES
(MODIFIED CASH BASIS)**

For The Year Ended September 30, 2017

(With Summarized Financial Information For The Year Ended September 30, 2016)

	Program Expenses	Management And General	Fundraising	Total 2017	Budget 2017 (Unaudited)	Comparative Totals For 2016
Grants and awards	\$ 90,156	\$ —	\$ —	\$ 90,156	\$ 90,000	\$ 79,928
Personnel	380,392	207,427	209,667	797,486	795,000	801,145
Volunteer/intern services	3,688	—	—	3,688	4,000	5,110
Office products and services	—	18,114	—	18,114	20,000	31,564
Office lease and utilities	—	14,594	—	14,594	15,480	—
Move-related items	—	63,924	—	63,924	65,000	—
Fundraising products and services	—	—	153,935	153,935	154,000	64,197
Special events	—	—	112,164	112,164	113,000	140,851
Public programs	219,224	—	—	219,224	229,000	203,889
Meetings	—	14,438	—	14,438	13,525	16,307
Education	44,916	—	—	44,916	48,500	54,274
Summer Teacher Institute	33,865	—	—	33,865	35,000	37,383
Exhibits	61,184	—	—	61,184	65,000	40,926
Annual membership programs	—	—	21,600	21,600	20,000	21,345
Professional fees	—	138,847	—	138,847	140,000	92,398
Public relations and advertising	75,171	—	—	75,171	75,000	62,440
White House Decision Center	24,059	—	—	24,059	25,000	31,849
TRU Magazine Publication	23,644	—	—	23,644	30,000	11,422
Website design and hosting	47,308	—	—	47,308	52,000	49,690
Contingency/other	62,356	51	—	62,407	83,700	32,280
Preventative maintenance	—	—	—	—	—	6,630
Capital improvements	574,144	677,968	—	1,252,112	1,255,000	173,010
Total expenses	1,640,107	1,135,363	497,366	3,272,836	3,328,205	1,956,638
Less special event expenses netted with special event income	—	—	112,164	112,164	113,000	140,851
Total Expenses, Net	\$ 1,640,107	\$ 1,135,363	\$ 385,202	\$ 3,160,672	\$ 3,215,205	\$ 1,815,787

HARRY S. TRUMAN LIBRARY INSTITUTE FOR NATIONAL AND INTERNATIONAL AFFAIRS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 And 2016

1. Nature Of Organization

The Harry S. Truman Library Institute for National and International Affairs (the Institute), is a Missouri not-for-profit corporation whose purpose is to support and promote the Harry S. Truman Presidential Library in Independence, Missouri, as a major center for research and study. The Institute solicits public and private contributions to allocate among various programs and services. Programs and services supported by the Institute include grants for research study at the Truman Library, education programs and renovations to the Truman Library.

2. Summary Of Significant Accounting Policies

Basis Of Accounting

The Institute prepares its financial statements using the modified cash basis of accounting. Accordingly, the accompanying financial statements are not intended to present financial position or changes in net assets in accordance with accounting principles generally accepted in the United States of America.

Under the modified cash basis of accounting, revenues and the related assets are generally recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Thus, receivables, including pledges receivable, and payables are not recognized in the accompanying financial statements. Split-interest agreements and beneficial interests in trusts are not reported. Expenditures for property and equipment are expensed rather than capitalized and depreciated. Assets are reported at fair value on the statement of cash, investments and net assets with unrealized gains (losses) recorded as increases or decreases to the net assets of the Institute.

Estimates And Assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenues received and expenses paid during the reported period. Actual results could differ from those estimates.

**HARRY S. TRUMAN LIBRARY INSTITUTE
FOR NATIONAL AND INTERNATIONAL AFFAIRS**

Notes To Financial Statements (*Continued*)

Basis Of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board for Not-for Profit Organizations by presenting assets and liabilities within similar groups and classifying them in ways that provide relevant information about their interrelationships, liquidity, and financial flexibility. As a result, the Institute is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Temporarily And Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Institute has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Institute in perpetuity.

Board Designated Endowment

The Board of Directors has established a Board Designated Endowment Fund, which can only be used for specific purposes as determined by the Executive Committee or the Board of Directors.

Investments And Investment Return

Investments in securities having a readily determinable fair value are carried at fair value. Investment return includes dividend, interest and other investment income, including realized and unrealized gains and losses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as temporarily restricted and then released from restriction. Other investment return is reflected in the statement of support and revenues, expenses and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

**HARRY S. TRUMAN LIBRARY INSTITUTE
FOR NATIONAL AND INTERNATIONAL AFFAIRS**

Notes To Financial Statements (*Continued*)

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of support and revenues, expenses and changes in net assets as net assets released from restrictions.

In-Kind Contributions

In addition to receiving cash contributions, the Institute received in-kind contributions of \$32,163 and \$40,625 for the years ended September 30, 2017 and 2016, respectively, from various donors of which \$11,460 was in-kind rent received on the office lease for the year ended September 30, 2017. It is the policy of the Institute not to record the in-kind contributions on the financial statements.

Community Foundation Funds

The Institute has transferred assets to two Community Foundations (Funds). Under the Community Foundation agreements, the net income and principal from the Funds are to be distributed to the Institute and/or designated payees in support of charitable programs as requested by the Funds' Advisory Committees. However, the Community Foundations reserve the right to make the final decision regarding the distribution of income and principal from the Funds.

It is the policy of the Institute not to record its beneficial interest in the assets of the Funds. Instead, contributions to the Funds are recorded as program expenses in the period in which the contributions are made. During the years ended September 30, 2017 and 2016, there were no contributions to the Funds. During the years ended September 30, 2017 and 2016, there were distributions of \$5,205 and \$5,235, respectively, from the Funds. As of September 30, 2017 and 2016, the fair value of the assets contributed to the Community Foundations available for distributions in support of Institute programs was \$108,644 and \$102,356, respectively.

**HARRY S. TRUMAN LIBRARY INSTITUTE
FOR NATIONAL AND INTERNATIONAL AFFAIRS**

Notes To Financial Statements (*Continued*)

Income Taxes

The Institute is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Institute is subject to federal income tax on any unrelated business taxable income. The Institute's federal tax returns for tax years 2013 and later are subject to examination by taxing authorities.

Expenses Allocation

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of support and revenues, expenses and changes in net assets. Certain costs have been allocated among the program, management and general and fundraising categories based on management's estimates.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 financial statement presentation. These reclassifications had no impact on net asset balances.

Subsequent Events

Management has evaluated subsequent events through the date which the financial statements were available for issue, which is the date of the Independent Auditors' Report.

3. Investments And Investment Return

Investments

Investments at September 30 consisted of the following:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 1,408,216	\$ 704,507
Exchange traded funds	3,802,170	3,822,137
Mutual funds	7,499,796	7,255,987
	<u>\$ 12,710,182</u>	<u>\$ 11,782,631</u>

**HARRY S. TRUMAN LIBRARY INSTITUTE
FOR NATIONAL AND INTERNATIONAL AFFAIRS**

Notes To Financial Statements (*Continued*)

Total investment return is comprised of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 240,733	\$ 225,574
Net unrealized gains	740,516	397,314
Net realized gains	379,819	449,231
	<u>\$ 1,361,068</u>	<u>\$ 1,072,119</u>

4. Fair Value Measurements

The Institute follows an established framework for measuring fair value. That 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 three levels of the fair value hierarchy under these rules are described below:

- Level 1 Unadjusted quoted prices for identical assets or liabilities in active markets that the Institute has the ability to access.

- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**HARRY S. TRUMAN LIBRARY INSTITUTE
FOR NATIONAL AND INTERNATIONAL AFFAIRS**

Notes To Financial Statements (*Continued*)

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

Money Market Funds, Exchange Traded Funds, And Mutual Funds

Valued at the daily closing price as reported by the fund. Mutual funds, exchange traded funds, and money market funds held by the Institute are open-end investment funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds, exchange traded funds, and money market funds held by the Institute are deemed to be actively traded.

There have been no changes in the methodologies used at September 30, 2017 and 2016.

The following table sets forth by level, within the fair value hierarchy, the Institute's assets at fair value as of September 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 1,408,216	\$ —	\$ —	\$ 1,408,216
Exchange traded funds				
Domestic equity	3,302,498	—	—	3,302,498
International equity	499,672	—	—	499,672
Mutual funds				
Domestic equity	1,866,464	—	—	1,866,464
International equity	1,683,066	—	—	1,683,066
Fixed income	3,106,673	—	—	3,106,673
Hedge strategy	371,202	—	—	371,202
Infrastructure fund	282,341	—	—	282,341
Real estate funds	190,050	—	—	190,050
	<u>\$ 12,710,182</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 12,710,182</u>

**HARRY S. TRUMAN LIBRARY INSTITUTE
FOR NATIONAL AND INTERNATIONAL AFFAIRS**

Notes To Financial Statements (*Continued*)

The following table sets forth by level, within the fair value hierarchy, the Institute's assets at fair value as of September 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 704,507	\$ —	\$ —	\$ 704,507
Exchange traded funds				
Domestic equity	3,299,729	—	—	3,299,729
International equity	522,408	—	—	522,408
Mutual funds				
Domestic equity	2,215,760	—	—	2,215,760
International equity	1,348,960	—	—	1,348,960
Fixed income	2,977,106	—	—	2,977,106
Hedge strategy	384,807	—	—	384,807
Infrastructure fund	100,800	—	—	100,800
Real estate funds	228,554	—	—	228,554
	<u>\$ 11,782,631</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 11,782,631</u>

5. Net Assets

Temporarily restricted net assets are available for the following purposes at September 30:

	<u>2017</u>	<u>2016</u>
Endowment	\$ 2,418,581	\$ 2,009,343
Capital Campaign	406,881	—
Truman and Israel Programs	61,568	81,868
HST Capitol Rotunda Statue	260,975	—
White House Decision Center	119,142	24,261
Other	12,686	43,050
	<u>\$ 3,279,833</u>	<u>\$ 2,158,522</u>

Permanently restricted net assets at September 30 are restricted to:

	<u>2017</u>	<u>2016</u>
Investment in perpetuity, the income of which is expendable to support certain activities of the Institute	\$ 3,503,148	\$ 3,503,148

**HARRY S. TRUMAN LIBRARY INSTITUTE
FOR NATIONAL AND INTERNATIONAL AFFAIRS**

Notes To Financial Statements (*Continued*)

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

	<u>2017</u>	<u>2016</u>
Endowment appropriations	\$ 230,993	\$ 207,618
Education	167,003	197,966
Documentary access	50,000	50,000
Veterans Day program	38,077	9,508
Truman & Israel	25,300	32,946
Exhibits	31,585	—
Community Outreach	333,334	333,333
Office space construction	240,000	—
Museum redesign	250,000	—
Other	148,266	91,559
	<u>\$ 1,514,558</u>	<u>\$ 922,930</u>

6. Endowment Funds

Interpretation Of Relevant Law

The Institute's endowment consists of four individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). Net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

**HARRY S. TRUMAN LIBRARY INSTITUTE
FOR NATIONAL AND INTERNATIONAL AFFAIRS**

Notes To Financial Statements (*Continued*)

The Institute's governing body has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) Duration and preservation of the fund,
- (2) Purposes of the Institute and the fund,
- (3) General economic conditions,
- (4) Possible effect of inflation and deflation,
- (5) Expected total return from investment income and appreciation or depreciation of investments,
- (6) Other resources of the Institute,
- (7) Investment policies of the Institute.

Composition Of Endowment Net Assets

The composition of net assets by type of endowment fund at September 30, 2017 and 2016 was:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ —	\$ 2,418,581	\$ 3,503,148	\$ 5,921,729
Board-designated endowment funds	2,453,392	—	—	2,453,392
	<u>\$ 2,453,392</u>	<u>\$ 2,418,581</u>	<u>\$ 3,503,148</u>	<u>\$ 8,375,121</u>

**HARRY S. TRUMAN LIBRARY INSTITUTE
FOR NATIONAL AND INTERNATIONAL AFFAIRS**

Notes To Financial Statements (*Continued*)

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ —	\$ 2,009,343	\$ 3,503,148	\$ 5,512,491
Board-designated endowment funds	2,231,763	—	—	2,231,763
	\$ 2,231,763	\$ 2,009,343	\$ 3,503,148	\$ 7,744,254

Changes in endowment net assets for the years ended September 30, 2017 and 2016 were:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Beginning balance	\$ 2,231,763	\$ 2,009,343	\$ 3,503,148	\$ 7,744,254
Investment income	47,727	118,860	—	166,587
Net appreciation	226,055	521,371	—	747,426
Total investment return	273,782	640,231	—	914,013
Contributions	2,957	—	—	2,957
Appropriation of endowment assets for expenditure	(55,110)	(230,993)	—	(286,103)
Ending balance	\$ 2,453,392	\$ 2,418,581	\$ 3,503,148	\$ 8,375,121

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Beginning balance	\$ 2,070,284	\$ 1,719,001	\$ 3,503,148	\$ 7,292,433
Investment income	43,116	110,544	—	153,660
Net appreciation	152,329	387,416	—	539,745
Total investment return	195,445	497,960	—	693,405
Contributions	5,034	—	—	5,034
Appropriation of endowment assets for expenditure	(39,000)	(207,618)	—	(246,618)
Ending balance	\$ 2,231,763	\$ 2,009,343	\$ 3,503,148	\$ 7,744,254

**HARRY S. TRUMAN LIBRARY INSTITUTE
FOR NATIONAL AND INTERNATIONAL AFFAIRS**

Notes To Financial Statements (*Continued*)

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at September 30, 2017 and 2016 consisted of:

	<u>2017</u>	<u>2016</u>
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or UPMIFA	\$ 3,503,148	\$ 3,503,148
Temporarily restricted net assets - portion of perpetual endowment funds subject to a restriction under UPMIFA		
With purpose restrictions	\$ 184,985	\$ 131,036
Without purpose restrictions	2,233,596	1,878,307
	\$ 2,418,581	\$ 2,009,343

Investment And Spending Policies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Institute is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. There were no such deficiencies at September 30, 2017 and 2016.

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain and enhance the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Institute must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Institute's policies, endowment assets are invested in a manner that is intended to produce a moderate return while assuming a minimal level of investment risk.

To satisfy its long-term rate of return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Institute targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**HARRY S. TRUMAN LIBRARY INSTITUTE
FOR NATIONAL AND INTERNATIONAL AFFAIRS**

Notes To Financial Statements (*Continued*)

The Institute has a policy (the spending policy) that states that an amount equal to 4% (inclusive of earned interest and dividend revenues) of the trailing 12-quarter average market value of the assets in the various endowment and other fund accounts that are subject to the Institute's Statement of Investment Policy and Objective will be distributed annually to support the Institute's budgeted expenditures. This distribution percentage will be applied pursuant to the above formula to each individual account not subject to income restrictions or other payout agreements, which would supersede the Distribution Policy (donor-restricted endowments are expended in accordance with the donor agreements). In the event that the annual distribution amount as calculated above is in excess of the amounts needed to fund the Institute's annual budgeted expenditures, the "excess" distribution amount will be added to a special reserve that can be used in future years at the discretion of the Institute's Board of Directors.

7. Defined Contribution Plan

The Institute has a defined contribution retirement plan (the Plan) covering substantially all employees. The Institute contributes 7% of each employee's salary to the Plan. In addition, employees may make voluntary contributions to the Plan. Contributions to the Plan by the Institute totaled \$39,859 and \$41,466 for 2017 and 2016, respectively.

8. Concentrations

During 2017, three donors combined contributed 51% of contributions and grants received. During 2016, two donors combined contributed 42% of contributions and grants received. Contributions from Board members and/or entities closely related to Board members were approximately \$845,641 and \$254,270 in fiscal year 2017 and 2016, respectively, and are included in various captions in the statement of support and revenues, expenses and changes in net assets.

9. Operating Leases

During 2017, the Institute entered into an operating lease agreement to lease office space. The lease agreement calls for monthly rent payments of \$4,560 continuing until June 2022.

**HARRY S. TRUMAN LIBRARY INSTITUTE
FOR NATIONAL AND INTERNATIONAL AFFAIRS**

Notes To Financial Statements (*Continued*)

Rental expense for all operating leases amounted to \$13,680 and \$0 for the years ended September 30, 2017 and 2016, respectively.

Future minimum lease payments under all operating lease agreements as of September 30, 2017 are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 54,720
2019	54,720
2020	54,720
2021	54,720
2022	41,040
	<u>\$ 259,920</u>

10. Commitments

Subsequent to September 30, 2017 the Institute entered into a contract for certain museum and design services. The contract is for approximately \$690,000 with amounts expected to be expended during the fiscal year-ended September 30, 2018.



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Independent Auditors' Report On Supplementary Information

Board of Directors
Harry S. Truman Library Institute
For National and International Affairs
Kansas City, Missouri

We have audited the financial statements of the Harry S. Truman Library Institute For National and International Affairs as of and for the year ended September 30, 2017, and our report thereon dated February 1, 2018, which expressed an unmodified opinion on those financial statements, appears on pages 1 through 3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying summary of net assets and other resources, note to summary of net assets and other resources and summary of pledges receivable, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

RubinBrown LLP

February 1, 2018

**HARRY S. TRUMAN LIBRARY INSTITUTE
FOR NATIONAL AND INTERNATIONAL AFFAIRS**

**SUMMARY OF NET ASSETS AND OTHER RESOURCES
September 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets				
General fund	\$ 2,845,226	\$ 861,252	\$ —	\$ 3,706,478
Board designated				
Endowment fund	2,453,392	—	—	2,453,392
Preventative maintenance fund	446,174	—	—	446,174
Reserve fund	231,526	—	—	231,526
Endowment fund	—	2,418,581	3,503,148	5,921,729
Total Net Assets	5,976,318	3,279,833	3,503,148	12,759,299
Other Resources				
Community foundations	—	108,644	—	108,644
Pledges receivable	—	180,000	—	180,000
Total Other Resources	—	288,644	—	288,644
Total Net Assets And Other Resources	\$ 5,976,318	\$ 3,568,477	\$ 3,503,148	\$ 13,047,943

**HARRY S. TRUMAN LIBRARY INSTITUTE
FOR NATIONAL AND INTERNATIONAL AFFAIRS**

**NOTE TO SUMMARY OF NET ASSETS AND OTHER RESOURCES
September 30, 2017**

1. Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Institute, the accounts are maintained in accordance with the principles of “fund accounting”. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with the activities or objectives specified. Separate accounts are maintained for each fund. The Institute maintains five funds as follows:

General Fund

The General Fund reports all revenues received and expenditures made not specifically allocated to the Institute’s restricted purpose funds. Revenues consist primarily of investment income and annual giving. Expenses relate to scholarships, research grants and general operating expenses of the Institute.

Endowment Fund

The Endowment Fund was established in 1992 to account for endowment funds received by the Institute. Endowment funds are subject to restrictions of gift instruments requiring in perpetuity that all of the principal be invested and only the income be used for Institute expenditures.

Board Designated Endowment Fund

The Board Designated Endowment Fund was created by a vote of the Board of Directors, rather than a donor or other outside agency, to help ensure the future financial well-being of the Institute.

Board Designated Preventative Maintenance Fund

The Board Designated Preventative Maintenance Fund was created by the Board of Directors, rather than a donor or other outside agency, to help ensure the financial well-being of the Institute and maintain a pool of funds available for preventative maintenance needs.

**HARRY S. TRUMAN LIBRARY INSTITUTE
FOR NATIONAL AND INTERNATIONAL AFFAIRS**

Note To Summary Of Net Assets And Other Resources (*Continued*)

Board Designated Reserve Fund

The Board Designated Reserve Fund was created by the Board of Directors to help ensure the long-term financial stability of the Institute by providing certain financial reserves as a safeguard from cash flow interruptions caused by financial market downturns, fundraising decreases, unexpected events, large unbudgeted expenses, or as means to help fund major expenditures as approved by the Board of Directors.

**HARRY S. TRUMAN LIBRARY INSTITUTE
FOR NATIONAL AND INTERNATIONAL AFFAIRS**

**SUMMARY OF PLEDGES RECEIVABLE
September 30, 2017 And 2016**

The Institute receives grant promises and pledges to be received (pledges receivable). Under the modified cash basis of accounting, these pledges receivable are not recognized in the accompanying financial statements until payment is received. The following is a summary of pledges receivable, undiscounted, for the years ended September 30, 2017 and 2016.

Pledges Receivable, October 1, 2015	\$	879,467
Grant promises and pledges received		344,000
Grant and pledge payments received		(589,434)
		(589,434)
 Pledges Receivable, September 30, 2016		 634,033
Grant promises and pledges received		232,500
Grant and pledge payments received		(675,833)
Grant and pledge payments written off		(10,700)
		(10,700)
 Pledges Receivable, September 30, 2017	 \$	 180,000
		180,000

Scheduled payments on pledges receivable are due as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2018	\$ 120,000
2019	60,000
	60,000
	\$ 180,000

Subsequent to September 30, 2017, the Institute received \$4,156,403 in additional grant promises and pledges receivable. The scheduled payments on these new grant promises and pledges receivable are due as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2018	\$ 2,119,650
2019	1,325,752
2020	504,751
2021	56,250
2022	50,000
Thereafter	100,000
	100,000
	\$ 4,156,403