
***HARRY S. TRUMAN LIBRARY
INSTITUTE FOR NATIONAL AND
INTERNATIONAL AFFAIRS***
*FINANCIAL STATEMENTS
SEPTEMBER 30, 2019*

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 - 23
 Supplementary Information	
Independent Auditors' Report On Supplementary Information	24
Summary Of Net Assets And Other Resources	25
Note To Summary Of Net Assets And Other Resources.....	26
Summary Of Pledges Receivable.....	27 - 28

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, 2019, 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, 2019, 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' 2018 financial statements, and our report dated February 7, 2019, 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, 2018, 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 18, 2020

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

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

	September 30,	
	2019	2018
Cash	\$ 38,846	\$ 45,872
Investments	14,380,398	13,687,831
Total Cash And Investments	\$ 14,419,244	\$ 13,733,703
Net Assets		
Without donor restrictions		
Board designated		
Endowment fund	\$ 2,501,631	\$ 2,569,099
Preventative maintenance fund	500,414	481,506
Undesignated	1,700,606	2,384,722
	4,702,651	5,435,327
With donor restrictions	9,716,593	8,298,376
Total Net Assets	\$ 14,419,244	\$ 13,733,703

**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, 2019

(With Summarized Financial Information For The Year Ended September 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Budget 2019 (Unaudited)	Comparative Totals For 2018
Support And Revenues					
Interest and dividends	\$ 200,019	\$ 131,370	\$ 331,389	\$ 325,000	\$ 281,016
Contributions and grants	16,148	3,381,930	3,398,078	3,065,000	2,848,013
Annual memberships	256,693	—	256,693	250,000	267,995
Special event income, net of related expenses - \$127,946	448,330	—	448,330	446,000	419,959
White House Decision Center revenues	—	73,681	73,681	75,000	82,975
Other revenue	12,564	4,825	17,389	12,000	11,991
	933,754	3,591,806	4,525,560	4,173,000	3,911,949
Net assets released from restrictions	2,270,212	(2,270,212)	—	—	—
Total Support And Revenues	3,203,966	1,321,594	4,525,560	4,173,000	3,911,949
Expenses					
Program expenses	2,526,311	—	2,526,311	2,641,500	2,294,906
Management and general	432,421	—	432,421	470,000	430,541
Fundraising	1,100,012	—	1,100,012	1,095,000	802,229
Total Expenses	4,058,744	—	4,058,744	4,206,500	3,527,676
Support And Revenues Over (Under) Expenses	(854,778)	1,321,594	466,816	<u>\$ (33,500)</u>	384,273
Net unrealized losses on investments	(70,217)	(112,997)	(183,214)		(292,481)
Net realized gains on investments	192,319	209,620	401,939		<u>882,612</u>
Increase (Decrease) In Net Assets	(732,676)	1,418,217	685,541		974,404
Net Assets - Beginning Of Year	5,435,327	8,298,376	13,733,703		<u>12,759,299</u>
Net Assets - End Of Year	<u>\$ 4,702,651</u>	<u>\$ 9,716,593</u>	<u>\$ 14,419,244</u>		<u>\$ 13,733,703</u>

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

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

For The Year Ended September 30, 2019

(With Summarized Financial Information For The Year Ended September 30, 2018)

	Program Expenses	Management And General	Fundraising	Total 2019	Budget 2019 (Unaudited)	Comparative Totals For 2018
Grants and awards	\$ 68,127	\$ —	\$ —	\$ 68,127	\$ 80,000	\$ 75,567
Personnel	272,097	231,447	409,442	912,986	929,500	999,353
Volunteer/intern services	959	—	—	959	2,000	2,508
Office products and services	—	18,943	—	18,943	20,000	19,124
Office lease and utilities	8,093	27,080	27,080	62,254	59,000	57,496
Move-related items	—	—	—	—	—	669
Fundraising products and services	—	—	649,202	649,202	675,000	323,135
Special events	—	—	127,946	127,946	130,000	117,700
Public programs	174,048	—	—	174,048	179,000	198,042
Meetings	—	8,629	—	8,629	14,000	12,537
Education	36,021	—	—	36,021	40,000	40,741
Summer Teacher Institute	38,852	—	—	38,852	40,000	40,690
Exhibits	38,524	—	—	38,524	39,000	58,607
Annual membership programs	—	—	14,288	14,288	20,000	13,141
Professional fees	—	146,321	—	146,321	142,000	139,916
Public relations and advertising	78,109	—	—	78,109	75,000	77,360
White House Decision Center	39,138	—	—	39,138	40,000	44,553
TRU Magazine Publication	17,544	—	—	17,544	26,000	25,574
Website design and hosting	34,698	—	—	34,698	35,000	46,307
Contingency/other	2,478	—	—	2,478	5,000	44,895
Preventative maintenance	568	—	—	568	1,000	925
U.S. Capitol Rotunda Truman Statue	85,392	—	—	85,392	85,000	—
Capital improvements	1,631,663	—	—	1,631,663	1,700,000	1,306,536
Total expenses	2,526,311	432,421	1,227,958	4,186,690	4,336,500	3,645,376
Less special event expenses netted with special event income	—	—	127,946	127,946	130,000	117,700
Total Expenses, Net	\$ 2,526,311	\$ 432,421	\$ 1,100,012	\$ 4,058,744	\$ 4,206,500	\$ 3,527,676

HARRY S. TRUMAN LIBRARY INSTITUTE FOR NATIONAL AND INTERNATIONAL AFFAIRS

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 And 2018

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 (the Library), 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*)

New Accounting Standard

During the year ended September 30, 2019, the Institute implemented changes as a result of the Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities – Presentation of Financial Statements of Not-for-Profit Entities*. In accordance with the ASU, the statement of cash, investments, and net assets and the statement of support and revenues, expenses and changes in net assets present two classes of net assets, rather than the previously required three classes. The two classes are “Net assets without donor restrictions” (previously “Unrestricted” net assets) and “Net assets with donor restrictions” (previously “Temporarily” and “Permanently” restricted net assets). The ASU also requires certain disclosures concerning liquidity and the availability of resources and presentation of expenses by both functional and natural classifications.

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those whose use by the Institute has been limited by donors to a specific time period or purpose or 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.

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

Notes To Financial Statements (*Continued*)

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as with donor restriction and then released from restriction. Other investment return is reflected in the statement of support and revenues, expenses and changes in net assets as without donor restrictions or with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Investment Risk

The Institute invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of cash, investments, and net assets.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 \$524,236 and \$184,792 for the years ended September 30, 2019 and 2018, respectively, from various donors of which \$61,776 and \$47,520 was in-kind rent received on the office lease for the years ended September 30, 2019 and 2018, respectively. It is the policy of the Institute not to record the in-kind contributions on the financial statements.

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

Notes To Financial Statements (*Continued*)

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, 2019 and 2018, there were no contributions to the Funds. During the years ended September 30, 2019 and 2018, there were distributions of \$5,619 and \$4,465, respectively, from the Funds. As of September 30, 2019 and 2018, the fair value of the assets contributed to the Community Foundations available for distributions in support of Institute programs was \$107,299 and \$110,276, respectively.

Income Taxes

The Institute is exempt from income taxes under Section 501(c)(3) 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.

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 2018 financial statements to conform to the 2019 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.

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

Notes To Financial Statements (*Continued*)

3. Investments And Investment Return

Investments

Investments at September 30 consisted of the following:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 1,943,601	\$ 835,315
U.S. Treasury notes	803,977	1,204,288
Alternative investment funds	—	556,886
Exchange traded funds	2,961,406	3,304,099
Mutual funds	8,671,414	7,787,243
	<u>\$ 14,380,398</u>	<u>\$ 13,687,831</u>

Total investment return is comprised of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 331,389	\$ 281,016
Net unrealized losses	(183,214)	(292,481)
Net realized gains	401,939	882,612
	<u>\$ 550,114</u>	<u>\$ 871,147</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.

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

Notes To Financial Statements (*Continued*)

- 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.

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

Money Market Funds, Exchange Traded Funds, Alternative Investment Funds And Mutual Funds

Valued at the daily closing price as reported by the fund. Mutual funds, exchange traded funds, alternative investment 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, alternative investment funds and money market funds held by the Institute are deemed to be actively traded.

U.S. Treasury Notes

Valued by a pricing service which determines the valuation of normal institutionalized trading units of such securities using methods based upon market transactions for comparable securities and various relationships between securities which are generally recognized by institutional traders.

There have been no changes in the methodologies used at September 30, 2019 and 2018.

**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, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,943,601	\$ —	\$ —	\$ 1,943,601
U.S. treasury notes	—	803,977	—	803,977
Exchange traded funds				
Domestic equity	2,961,406	—	—	2,961,406
Mutual funds				
Domestic equity	2,685,081	—	—	2,685,081
International equity	1,863,397	—	—	1,863,397
Fixed income	4,122,936	—	—	4,122,936
	\$ 13,576,421	\$ 803,977	\$ —	\$ 14,380,398

The following table sets forth by level, within the fair value hierarchy, the Institute's assets at fair value as of September 30, 2018:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 835,315	\$ —	\$ —	\$ 835,315
U.S. treasury notes	—	1,204,288	—	1,204,288
Exchange traded funds				
Domestic equity	3,304,099	—	—	3,304,099
Mutual funds				
Domestic equity	2,200,862	—	—	2,200,862
International equity	1,969,754	—	—	1,969,754
Fixed income	3,616,627	—	—	3,616,627
Alternative investment funds				
Hedge strategy fund	318,071	—	—	318,071
Infrastructure fund	120,138	—	—	120,138
Real estate funds	118,677	—	—	118,677
	\$ 12,483,543	\$ 1,204,288	\$ —	\$ 13,687,831

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

Notes To Financial Statements *(Continued)*

5. Net Assets

Net assets with donor restrictions have the following restrictions at September 30:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purpose:		
Capital Campaign	\$ 3,428,984	\$ 2,261,004
Truman and Israel Programs	66,100	67,445
HST Capitol Rotunda Statue	182,260	267,132
White House Decision Center	145,471	122,991
Other	303,776	48,570
	<u>4,126,591</u>	<u>2,767,142</u>
Unappropriated endowment earnings subject to spending policy	<u>1,886,854</u>	<u>1,978,086</u>
Total net assets restricted by time or purpose	<u>6,013,445</u>	<u>4,745,228</u>
Amounts with perpetual restrictions:		
Endowment investment in perpetuity, the income of which is expendable to support certain activities of the Institute	<u>3,703,148</u>	<u>3,553,148</u>
	<u>\$ 9,716,593</u>	<u>\$ 8,298,376</u>

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

	<u>2019</u>	<u>2018</u>
Endowment appropriations	\$ 319,225	\$ 799,288
Education	146,026	163,109
Documentary access	50,000	50,000
Truman and Israel	1,345	2,123
Exhibits	13,441	14,666
Community outreach	87,458	137,828
Capital capacity building grant	566,821	293,679
Museum redesign	671,980	130,000
Public programs	83,524	37,919
Other	330,392	12,688
	<u>\$ 2,270,212</u>	<u>\$ 1,641,300</u>

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

Notes To Financial Statements (*Continued*)

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.

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 net assets with donor restrictions in perpetuity (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 required to be held in perpetuity is classified as net assets with donor restrictions 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.

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

Notes To Financial Statements (*Continued*)

Composition Of Endowment Net Assets

The composition of net assets by type of endowment fund at September 30, 2019 and 2018 was:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor restricted gift amounts and amounts required to be maintained in perpetuity by donors	\$ —	\$ 3,703,148	\$ 3,703,148
Accumulated gains above the original donor-restricted gift amounts retained	—	1,886,854	1,886,854
Board-designated endowment funds	2,501,631	—	2,501,631
	\$ 2,501,631	\$ 5,590,002	\$ 8,091,633

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor restricted gift amounts and amounts required to be maintained in perpetuity by donors	\$ —	\$ 3,553,148	\$ 3,553,148
Accumulated gains above the original donor-restricted gift amounts retained	—	1,978,086	1,978,086
Board-designated endowment funds	2,569,099	—	2,569,099
	\$ 2,569,099	\$ 5,531,234	\$ 8,100,333

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

Notes To Financial Statements (*Continued*)

Changes in endowment net assets for the years ended September 30, 2019 and 2018 were:

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Beginning balance	\$ 2,569,099	\$ 5,531,234	\$ 8,100,333
Investment income	59,474	131,370	190,844
Net appreciation	54,319	96,623	150,942
Total investment return	113,793	227,993	341,786
Contributions	—	150,000	150,000
Appropriation of endowment assets for expenditure	(181,261)	(319,225)	(500,486)
Ending balance	\$ 2,501,631	\$ 5,590,002	\$ 8,091,633

	2018		Total
	Without Donor Restrictions	With Donor Restrictions	
Beginning balance	\$ 2,453,392	\$ 5,921,729	\$ 8,375,121
Investment income	52,556	121,030	173,586
Net appreciation	126,950	237,763	364,713
Total investment return	179,506	358,793	538,299
Contributions	—	50,000	50,000
Appropriation of endowment assets for expenditure	(63,799)	(799,288)	(863,087)
Ending balance	\$ 2,569,099	\$ 5,531,234	\$ 8,100,333

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

Notes To Financial Statements (*Continued*)

Amounts of donor-restricted endowment funds classified as restricted perpetually and available for expenditure at September 30, 2019 and 2018 consisted of:

	<u>2019</u>	<u>2018</u>
Perpetually restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or UPMIFA	<u>\$ 3,703,148</u>	<u>\$ 3,553,148</u>
Restricted net assets - portion of perpetual endowment funds subject to a restriction under UPMIFA		
With purpose restrictions	\$ 195,844	\$ 191,137
Without purpose restrictions	<u>1,691,010</u>	<u>1,786,949</u>
	<u>\$ 1,886,854</u>	<u>\$ 1,978,086</u>

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, 2019 or 2018.

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.

The Institute does not have a formal policy governing spending from endowment funds in which the market value has dropped below the original gift value (underwater endowment funds); however, as a best practice the Institute does not spend from any endowment funds that are considered to be underwater endowment funds. At September 30, 2019 and 2018, the Institute had no endowment funds considered to be underwater.

In the year ended September 30, 2018 the Board approved an additional 1% draw on the endowment to fund operations and an additional draw to move funds into the reserve fund to cover planning and design costs for planned construction.

7. Line Of Credit

The Institute entered into a line of credit agreement in August 2019 with Commerce Bank with availability of \$5,000,000. The line of credit bears interest at 1.25% plus the one-month LIBOR rate (approx. 3.35% at September 30, 2019) and is set to mature in August 2021 at which time any unpaid principal and interest is due. There were no draws on the line of credit at September 30, 2019 or during the year ended September 30, 2019. The line of credit is secured by the investment accounts of the Institute and certain pledges receivable.

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

Notes To Financial Statements (*Continued*)

8. 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 \$42,832 and \$47,723 for 2019 and 2018, respectively.

9. Concentrations

During 2019, two donors combined contributed 40% of contributions and grants received. During 2018, three donors combined contributed 71% of contributions and grants received. Contributions from Board members and/or entities closely related to Board members were approximately \$421,206 and \$334,210 in fiscal year 2019 and 2018, respectively, and are included in various captions in the statement of support and revenues, expenses and changes in net assets.

10. 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.

Rental expense for all operating leases amounted to \$54,720 and \$50,160 for the years ended September 30, 2019 and 2018, respectively.

Future minimum lease payments under all operating lease agreements as of September 30, 2019 are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 54,720
2021	54,720
2022	41,040
	<u>\$ 150,480</u>

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

Notes To Financial Statements (*Continued*)

11. Commitments

During the year ended September 30, 2019, the Institute entered into a contract for production and media costs related to the renovation of the Library. The contract is for approximately \$3,064,240. The Institute expended \$306,424 during the year ended September 30, 2019. Of the \$2,757,816 remaining on the contract, \$2,573,961 is expected to be expended during the fiscal year ended September 30, 2020 and \$183,855 is expected to be expended during the fiscal year ended September 30, 2021.

During the year ended September 30, 2019, the Institute entered into a contract for certain construction consulting services related to the renovation of the Library. The contract is for approximately \$164,000. The Institute expended \$54,000 during the year ended September 30, 2019. The remaining amount on the contract of \$110,000 is expected to be expended during the fiscal year ended September 30, 2020.

During the year ended September 30, 2019, the Institute entered into a contract for construction costs related to the renovation of the Library. The contract is for approximately \$9,928,400. The Institute expended \$313,667 during the year ended September 30, 2019. The remaining amount on the contract of \$9,614,733 is expected to be expended throughout the life of the contract under progress billings through June 2020 or until construction is complete.

During the year ended September 30, 2018, the Institute entered into a contract for certain museum design services. The contract is for approximately \$1,080,380. The Institute has expended \$788,392 at September 30, 2019. The remaining amount on the contract of \$291,988 is expected to be expended during the year ended September 30, 2020.

Subsequent to September 30, 2019, the Institute entered into a contract for design and construction of new exhibits related to the renovation of the Library. The contract is for approximately \$3,997,954. The contract is expected to be expended in the years ending September 30, 2020 and 2021.

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

Notes To Financial Statements (*Continued*)

12. Liquidity And Availability Of Resources

The Institute receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Institute receives support without donor restrictions; such support has historically represented 45% of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions. Program revenues are an additional source of income.

The Institute considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions, contributions with donor restrictions, and education program revenues for use in current programs which are ongoing and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include management and administrative expenses, fundraising expenses, and program expenses (including capital improvements to the Library paid for by the Institute) expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Institute's fiscal year.

The Institute's governing board has designated a portion of its resources without restrictions for endowment and other purposes. Those amounts are identified as board-designated and preventative maintenance in the table below. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the board.

The Institute's Budget, Finance and Investment Committee meets regularly during the fiscal year to monitor liquidity required to meet the Institute's operating needs and other contractual commitments, while striving to maximize and preserve the investment of its available funds.

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

Notes To Financial Statements (*Continued*)

The Institute manages its cash available to meet general operating expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term commitments and obligations under endowments with donor restricted and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Institute.

The table below presents financial assets available for general expenditures within one year at September 30, 2019:

Financial assets at year end:	
Cash and investments (main, sub, checking)	\$ 3,286,873
Payout on donor-restricted endowments for use over next 12 months	116,640
4% payout on board designated endowment for use over next 12 months	98,000
Preventative maintenance funds	500,414
Funds with donor restrictions held in the Reserve investment account available for general expenditures	<u>2,540,326</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 6,542,253</u></u>

In addition to the financial assets listed above that are expected to be available to meet general expenditures for use over the next 12 months, the Institute also expects to collect payments on pledges that are due within one year that will be intended to meet general expenditures.

The Institute also entered into a \$5,000,000 line of credit during the year ended September 30, 2019 to meet short-term general expenditures if needed. At September 30, 2019, the full \$5,000,000 line was available to the Institute as no borrowings had been made on the line of credit.

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, 2019, and our report thereon dated February 18, 2020 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 18, 2020

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

**SUMMARY OF NET ASSETS AND OTHER RESOURCES
September 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets			
General fund	\$ 1,700,606	\$ 4,126,591	\$ 5,827,197
Board designated			
Endowment fund	2,501,631	—	2,501,631
Preventative maintenance fund	500,414	—	500,414
Endowment fund	—	5,590,002	5,590,002
Total Net Assets	4,702,651	9,716,593	14,419,244
Other Resources			
Community foundations	—	107,299	107,299
Pledges receivable	—	15,158,757	15,158,757
Total Other Resources	—	15,266,056	15,266,056
Total Net Assets And Other Resources	\$ 4,702,651	\$ 24,982,649	\$ 29,685,300

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

**NOTE TO SUMMARY OF NET ASSETS AND OTHER RESOURCES
September 30, 2019**

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**

**SUMMARY OF PLEDGES RECEIVABLE
September 30, 2019 And 2018**

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, 2019 and 2018.

Pledges Receivable, October 1, 2017	\$ 180,000
Grant promises and pledges received	11,351,903
Grant and pledge payments received	<u>(2,404,939)</u>
Pledges Receivable, September 30, 2018	9,126,964
Grant promises and pledges received	8,647,000
Grant and pledge payments received	<u>(2,615,207)</u>
Pledges Receivable, September 30, 2019	<u><u>\$ 15,158,757</u></u>

Included in the pledge balance for the years ended September 30, 2019 and 2018 is a \$150,000 and \$300,000, respectively, pledge that has been pledged by a donor out of the donor's donor-advised fund. Also included in the pledge balance is a \$250,000 pledge that is contingent upon meeting certain financial performance measures.

Scheduled payments on pledges receivable are due as follows:

Year Ending September 30,	Amount
2020	\$ 10,661,009
2021	2,314,370
2022	1,409,955
2023	474,423
Thereafter	<u>299,000</u>
	 <u><u>\$ 15,158,757</u></u>

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

Summary Of Pledges Receivable *(Continued)*

Subsequent to September 30, 2019, the Institute received \$1,111,000 in additional grant promises and pledges receivable. The scheduled payments on these new grant promises and pledges receivable are due as follows:

Year Ending September 30,	Amount
2020	\$ 270,166
2021	219,167
2022	219,167
2023	202,500
Thereafter	200,000
	<hr/>
	\$ 1,111,000
	<hr/> <hr/>