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***HARRY S. TRUMAN LIBRARY  
INSTITUTE FOR NATIONAL AND  
INTERNATIONAL AFFAIRS***  
*FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021*

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## **Contents**

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	<b>Page</b>
<b>Independent Auditors' Report</b> .....	1 - 3
 <b>Financial Statements (Modified Cash Basis)</b>	
Statement Of Cash, Investments, Debt 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
 <b>Supplementary Information</b>	
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

## **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, debt and net assets as of September 30, 2021, 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, debt and net assets of the Harry S. Truman Library Institute For National and International Affairs as of September 30, 2021, 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' 2020 financial statements, and our report dated February 1, 2021, 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, 2020, 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 16, 2022

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

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

	<b>September 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash</b>	<b>\$ 99,631</b>	<b>\$ 799,731</b>
<b>Investments</b>	<b>16,390,107</b>	<b>12,953,236</b>
<b>Total Cash And Investments</b>	<b>\$ 16,489,738</b>	<b>\$ 13,752,967</b>
<b>Debt</b>		
Line of credit	\$ —	\$ 3,000,000
<b>Net Assets</b>		
Without donor restrictions		
Board designated		
Endowment fund	3,950,520	2,594,266
Reserve fund	935,834	311,125
Preventative maintenance fund	649,932	544,758
Undesignated	3,385,738	823,545
With donor restrictions	8,922,024	4,273,694
<b>Total Net Assets</b>	<b>16,489,738</b>	<b>10,752,967</b>
<b>Total Debt And Net Assets</b>	<b>\$ 16,489,738</b>	<b>\$ 13,752,967</b>

**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, 2021**

**(With Summarized Financial Information For The Year Ended September 30, 2020)**

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Budget 2021 (Unaudited)	Comparative Totals For 2020
<b>Support And Revenues</b>					
Interest and dividends	\$ 113,399	\$ 99,917	\$ 213,316	\$ 275,000	\$ 287,379
Contributions and grants	1,041,310	7,139,904	8,181,214	8,395,000	11,531,903
Annual memberships	244,561	—	244,561	225,000	249,705
Special event income, net of related expenses - \$140,340	559,421	—	559,421	500,000	467,232
White House Decision Center revenues	—	2,056	2,056	35,000	28,919
Other revenue	22,072	—	22,072	10,000	165,616
	1,980,763	7,241,877	9,222,640	9,440,000	12,730,754
Net assets released from restrictions	7,159,575	(7,159,575)	—	—	—
<b>Total Support And Revenues</b>	9,140,338	82,302	9,222,640	9,440,000	12,730,754
<b>Expenses</b>					
Program expenses	4,241,060	—	4,241,060	4,288,685	16,017,501
Management and general	475,808	—	475,808	529,130	457,955
Fundraising	867,586	—	867,586	1,040,000	684,852
<b>Total Expenses</b>	5,584,454	—	5,584,454	5,857,815	17,160,308
<b>Support And Revenues Over (Under) Expenses</b>	3,555,884	82,302	3,638,186	3,582,185	(4,429,554)
Net unrealized gains (losses) on investments	(964,265)	(919,609)	(1,883,874)		547,551
Net realized gains on investments	2,056,711	1,925,748	3,982,459		215,726
<b>Increase (Decrease) In Net Assets</b>	4,648,330	1,088,441	5,736,771		(3,666,277)
<b>Net Assets - Beginning Of Year</b>	4,273,694	6,479,273	10,752,967		14,419,244
<b>Net Assets - End Of Year</b>	\$ 8,922,024	\$ 7,567,714	\$ 16,489,738		\$ 10,752,967

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

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

**For The Year Ended September 30, 2021**

**(With Summarized Financial Information For The Year Ended September 30, 2020)**

	<b>Program Expenses</b>	<b>Management And General</b>	<b>Fundraising</b>	<b>Total 2021</b>	<b>Budget 2021 (Unaudited)</b>	<b>Comparative Totals For 2020</b>
Grants and awards	\$ 31,000	\$ —	\$ —	\$ 31,000	\$ 31,000	\$ 53,884
Personnel	321,552	270,185	414,043	1,005,780	1,013,300	955,354
Volunteer/intern services	—	—	—	—	—	173
Office products and services	—	20,180	—	20,180	20,000	22,115
Office lease and utilities	10,502	35,141	35,141	80,784	83,000	44,339
Fundraising products and services	—	—	399,318	399,318	465,000	285,969
Special events	—	—	140,340	140,340	140,000	38,631
Public programs	78,643	—	—	78,643	85,000	141,053
Meetings	—	130	—	130	130	4,403
Education	250	—	—	250	250	7,503
Exhibits	308,980	—	—	308,980	309,000	26,346
Annual membership programs	—	—	19,084	19,084	20,000	10,836
Professional fees	—	125,714	—	125,714	156,000	175,889
Interest expense	—	24,458	—	24,458	—	8,100
Public relations and advertising	95,493	—	—	95,493	85,000	52,192
White House Decision Center	268	—	—	268	—	26,018
TRU Magazine Publication	8,750	—	—	8,750	10,000	41,866
Website design and hosting	46,252	—	—	46,252	45,000	15,277
Contingency/other	10,135	—	—	10,135	10,135	3,973
U.S. Capitol Rotunda Truman Statue	75,577	—	—	75,577	85,000	—
Capital improvements	3,253,658	—	—	3,253,658	3,300,000	15,285,018
Total expenses	4,241,060	475,808	1,007,926	5,724,794	5,857,815	17,198,939
Less special event expenses netted with special event income	—	—	140,340	140,340	140,000	38,631
<b>Total Expenses, Net</b>	<b>\$ 4,241,060</b>	<b>\$ 475,808</b>	<b>\$ 867,586</b>	<b>\$ 5,584,454</b>	<b>\$ 5,717,815</b>	<b>\$ 17,160,308</b>



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

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## NOTES TO FINANCIAL STATEMENTS

September 30, 2021 And 2020

### 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 (other than long-term debt) 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. Any donor restrictions on capital projects are reported as releases from restriction upon expenditure rather than upon the placed in service date. Assets are reported at fair value on the statement of cash, investments, debt and net assets with unrealized gains (losses) recorded as increases or decreases to the net assets of the Institute. Debt is presented as a liability on the statement of cash, investments, debt and net assets.

#### 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**

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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 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.

**Net Assets Without Donor Restrictions**

Net assets without donor restrictions are those whose use by the Institute is not subject to donor-imposed stipulations, as well as net assets designated by the Board for specific purposes.

**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.

**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.

**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**

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Notes To Financial Statements (*Continued*)

**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 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 \$161,153 and \$533,016 for the years ended September 30, 2021 and 2020, respectively, from various donors. Included in these amounts were \$58,536 and \$66,648 of in-kind rent received on the office lease for the years ended September 30, 2021 and 2020, respectively and \$0 and \$436,310 related to construction vendor services, which were received from related parties for the years ended September 30, 2021 and 2020, 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**

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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, 2021 and 2020, there were no contributions to the Funds. During the years ended September 30, 2021 and 2020, there were distributions of \$5,138 and \$6,746, respectively, from the Funds. As of September 30, 2021 and 2020, the fair value of the assets contributed to the Community Foundations available for distributions in support of Institute programs was \$122,467 and \$109,786, 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. Expenditures which can be identified with a specific program or support service are allocated directly, according to natural classification. Salaries and benefits are allocated based on job descriptions and responsibilities. Certain costs that are common to several program and supporting services have been allocated among the program, management and general and fundraising categories based on management's estimates.

**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**

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Notes To Financial Statements (*Continued*)

### **3. Investments And Investment Return**

#### **Investments**

Investments at September 30 consisted of the following:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 1,861,827	\$ 970,150
Exchange traded funds	287,869	2,410,111
Mutual funds	14,240,411	9,572,975
	<u>\$ 16,390,107</u>	<u>\$ 12,953,236</u>

Total investment return is comprised of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 213,316	\$ 287,379
Net unrealized gains (losses)	(1,883,874)	547,551
Net realized gains	3,982,459	215,726
	<u>\$ 2,311,901</u>	<u>\$ 1,050,656</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.

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

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Notes To Financial Statements (*Continued*)

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 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, 2021 and 2020.

The following table sets forth by level, within the fair value hierarchy, the Institute's assets at fair value as of September 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 1,861,827	\$ —	\$ —	\$ 1,861,827
Exchange traded funds				
International equity	287,869	—	—	287,869
Mutual funds				
Domestic equity	7,462,245	—	—	7,462,245
International equity	1,607,941	—	—	1,607,941
Fixed income	5,170,225	—	—	5,170,225
	<u>\$ 16,390,107</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 16,390,107</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, 2020:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money market funds	\$ 970,150	\$ —	\$ —	\$ 970,150
Exchange traded funds				
Domestic equity	2,303,244	—	—	2,303,244
International equity	106,867	—	—	106,867
Mutual funds				
Domestic equity	3,918,839	—	—	3,918,839
International equity	1,363,606	—	—	1,363,606
Fixed income	4,290,530	—	—	4,290,530
	<b>\$ 12,953,236</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 12,953,236</b>

**5. Net Assets**

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

	<b>2021</b>	<b>2020</b>
Subject to expenditure for specific purpose:		
Capital Campaign	\$ 472,035	\$ 310,410
Truman and Israel Programs	44,870	44,870
HST Capitol Rotunda Statue	211,329	183,760
White House Decision Center	131,698	132,475
Other	5,000	—
	<b>864,932</b>	<b>671,515</b>
Unappropriated endowment earnings subject to spending policy	<b>2,889,634</b>	<b>2,079,610</b>
Total net assets restricted by time or purpose	<b>3,754,566</b>	<b>2,751,125</b>
Amounts with perpetual restrictions:		
Endowment investment in perpetuity, the income of which is expendable to support certain activities of the Institute	<b>3,813,148</b>	<b>3,728,148</b>
	<b>\$ 7,567,714</b>	<b>\$ 6,479,273</b>

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

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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>2021</u>	<u>2020</u>
Endowment appropriations	\$ 306,032	\$ 257,944
Education	2,835	61,913
Documentary access	—	50,000
Truman and Israel	—	21,230
Exhibits	129,196	639,194
Capital capacity building grant	—	619,429
Library renovation - capital campaign	6,018,312	13,309,542
Public programs	347,140	5,019
Other	356,060	245,000
	<u>\$ 7,159,575</u>	<u>\$ 15,209,271</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.

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.



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

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Notes To Financial Statements (*Continued*)

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, 2021 and 2020 was:

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
Donor-restricted endowment funds			
Original donor restricted gift amounts and amounts required to be maintained in perpetuity by donors	\$ —	\$ 3,813,148	\$ 3,813,148
Accumulated gains above the original donor-restricted gift amounts retained	—	2,889,634	2,889,634
Board-designated endowment funds	3,950,520	—	3,950,520
	<u>\$ 3,950,520</u>	<u>\$ 6,702,782</u>	<u>\$ 10,653,302</u>

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Donor-restricted endowment funds			
Original donor restricted gift amounts and amounts required to be maintained in perpetuity by donors	\$ —	\$ 3,728,148	\$ 3,728,148
Accumulated gains above the original donor-restricted gift amounts retained	—	2,079,610	2,079,610
Board-designated endowment funds	2,594,266	—	2,594,266
	<u>\$ 2,594,266</u>	<u>\$ 5,807,758</u>	<u>\$ 8,402,024</u>

**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, 2021 and 2020 were:

	<b>2021</b>		<b>Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	
Beginning balance	\$ 2,594,266	\$ 5,807,758	\$ 8,402,024
Investment income	44,898	99,917	144,815
Net appreciation	450,279	1,006,139	1,456,418
Total investment return	495,177	1,106,056	1,601,233
Contributions	1,000,000	95,000	1,095,000
Appropriation of endowment assets for expenditure	(138,923)	(306,032)	(444,955)
Ending balance	\$ 3,950,520	\$ 6,702,782	\$ 10,653,302

	<b>2020</b>		<b>Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	
Beginning balance	\$ 2,501,631	\$ 5,590,002	\$ 8,091,633
Investment income	54,890	126,835	181,725
Net appreciation	163,362	323,865	487,227
Total investment return	218,252	450,700	668,952
Contributions	—	25,000	25,000
Appropriation of endowment assets for expenditure	(125,617)	(257,944)	(383,561)
Ending balance	\$ 2,594,266	\$ 5,807,758	\$ 8,402,024

Amounts of donor-restricted endowment funds classified as restricted perpetually and available for expenditure at September 30, 2021 and 2020 consisted of:

	<b>2021</b>	<b>2020</b>
Perpetually restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or UPMIFA	<b>\$ 3,813,148</b>	<b>\$ 3,728,148</b>
Restricted net assets - portion of perpetual endowment funds subject to a restriction under UPMIFA		
With purpose restrictions	<b>\$ 396,648</b>	<b>\$ 217,653</b>
Without purpose restrictions	<b>2,492,986</b>	<b>1,861,957</b>
	<b>\$ 2,889,634</b>	<b>\$ 2,079,610</b>

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

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Notes To Financial Statements (*Continued*)

**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, 2021 or 2020.

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.

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.

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

---

Notes To Financial Statements (*Continued*)

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, 2021 and 2020, the Institute had no endowment funds considered to be underwater.

**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 bore interest at 1.25% plus the one-month LIBOR rate, with interest only payments required monthly. The line of credit was repaid in full during May 2021, and was not renewed at maturity in August 2021. The line of credit was secured by the investment accounts of the Institute and certain pledges receivable. As of September 30, 2020 \$3,000,000 was outstanding. During 2021 interest expense of \$24,458 was incurred and paid.

**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 \$51,665 and \$46,468 for 2021 and 2020, respectively.

**9. Concentrations**

During 2021, three donors comprised 38% of contributions and grants received. During 2020, two donors comprised 61% of contributions and grants received. Contributions from Board members and/or entities closely related to Board members were approximately \$1,547,756 and \$2,067,969 in fiscal year 2021 and 2020, respectively, and are included in various captions in the statement of support and revenues, expenses and changes in net assets.

During the years ended September 30, 2021 and 2020, the Institute received contributions totaling \$180,000 and \$220,000 in fiscal year 2021 and 2020, respectively, from the National Archives and Records Administration, which operates the Library.

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

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Notes To Financial Statements (*Continued*)

**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. During the year ended September 30, 2020, the Institute negotiated a deferral of its lease payments for the months of May 2020 through October 2020. Lease payments resumed in November 2020 with monthly rent payments of \$7,560 through April 2021 and a balloon payment in May 2021 of \$9,360. Starting in June 2021, monthly rent payments of \$4,560 will resume through the end of the lease term.

Rental expense for all operating leases amounted to \$72,960 and \$36,480 for the years ended September 30, 2021 and 2020, respectively.

Future minimum lease payments under all operating lease agreements as of September 30, 2021 are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 41,040

**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 and an additional \$1,861,525 during the year ended September 30, 2020. The remaining amount on the contract was fully expended during the fiscal year ended September 30, 2021.

During the year ended September 30, 2019, the Institute entered into a contract for construction costs related to the renovation of the Library with a company that has a key officer who was a board member for the Institute during the year ended September 30, 2021. The contract is for approximately \$9,928,400. The Institute expended \$313,667 during the year ended September 30, 2019. During the year ended September 30, 2020 an additional \$955,060 in change orders were approved to the contract and \$9,594,664 was expended on the contract. The remaining amount on the contract was expended during the fiscal year ended September 30, 2021.

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

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Notes To Financial Statements (*Continued*)

During the year ended September 30, 2018, the Institute entered into a contract for certain museum design services. The original contract is for approximately \$1,080,380. The Institute had expended \$788,392 at September 30, 2019 and expended an additional \$225,823 during the year ended September 30, 2020. The remaining amount on the contract was expended during the fiscal year ended September 30, 2021.

During the year ended September 30, 2020, the Institute entered into a contract for design and construction of new exhibits related to the renovation of the Library. The contract including approved change orders is for approximately \$4,345,498. The Institute expended \$949,130 and \$2,905,918 during the years ended September 30, 2021 and 2020, respectively. The remaining amount on the contract is expected to be expended during the year ending September 30, 2022.

During the year ended September 30, 2018, the Institute entered into a contract for an exhibition to be held in April 2022 through July 2022 at the Library. The contract is for approximately \$350,000. The Institute had expended \$25,000 at September 30, 2019 and expended an additional \$25,000 in the year ended September 30, 2020. The remaining amount on the contract of \$300,000 was expended during the year ended September 30, 2021.

During the year ended September 30, 2021, the Institute entered into a contract for additional audio/visual renovations and enhancements at the Library. The contract is for approximately \$174,000. The entire amount of the contract is expected to be expended by during the year ending September 30, 2022.

## **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.

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

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Notes To Financial Statements (*Continued*)

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.

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.

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

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Notes To Financial Statements (*Continued*)

The table below presents financial assets available for general expenditures within one year at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and investments (main, sub, checking)	<b>\$ 3,778,627</b>	\$ 3,524,899
Payout on donor-restricted endowments for use over next 12 months:	<b>118,980</b>	128,750
4% payout on board designated endowment for use over next 12 months:	<b>158,020</b>	103,750
Board designated preventative maintenance funds	<b>649,932</b>	544,758
Board designated reserve funds	<b>935,834</b>	311,125
	<hr/>	
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 5,641,393</b>	\$ 4,613,282

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.

### **13. Paycheck Protection Program**

In response to the COVID-19 pandemic, the Paycheck Protection Program (PPP) was established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to be administered by the U.S. Small Business Administration (SBA). Organizations that met the eligibility requirements set forth by the PPP could qualify for PPP loans. If the loan proceeds are fully utilized to pay qualified expenses, the full principal amount of the PPP loan, along with any accrued interest, may qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the Institute.

In April 2020, the Institute received a loan of \$148,500 under the PPP provided by Commerce Bank. The loan bore interest at 1% with principal and interest payments deferred for the first 6 months of the loan. After that, the loan and interest would be paid back over a period of 18 months, if the loan was not forgiven.



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

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Notes To Financial Statements (*Continued*)

When it applied for the loan, the Institute believed it would qualify to have the loan forgiven under the terms of the PPP, and therefore considered the loan to be substantively a conditional contribution by the SBA. The Institute performed initial calculations for PPP loan forgiveness, and expected that the PPP loan would be forgiven in full because (1) the Institute had, prior to September 30, 2020, utilized all of the proceeds for payroll and other qualified expenses and (2) the Institute believed it would continue to comply with other terms and conditions necessary for forgiveness. Accordingly, the Institute determined that the PPP loan should be accounted for as a conditional contribution. Under the provisions of ASC 958-605, a conditional contribution is recognized as revenue when the condition or conditions are substantially met.

As discussed above, the Institute believed it had substantially met the conditions necessary in order for the loan to be forgiven.

As the Institute believed that it completed the required activities by utilizing PPP proceeds for payroll and other qualified expenditures prior to September 30, 2020, it recognized PPP contribution revenue for the full amount of the PPP loan, \$148,500, reported in other revenue in the statement of support and revenues, expenses and changes in net assets for the year ended September 30, 2020. Accordingly, no liability for the PPP loan is reflected on the statement of cash, investments, debt and net assets as of September 30, 2020. In February 2021, the Institute received forgiveness of all principal and interest from Commerce Bank in an amount equal to the sum of qualified expenses incurred under the 24 weeks following initial disbursement. No adjustment to the conditional contribution recorded for the year ending September 30, 2020 was made for the year ending September 30, 2021.

## 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, 2021, and our report thereon dated February 16, 2022, 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 16, 2022

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

**SUMMARY OF NET ASSETS AND OTHER RESOURCES**

**September 30, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Net Assets</b>			
General fund	\$ 3,385,738	\$ 864,932	\$ 4,250,670
Board designated			
Endowment fund	3,950,520	—	3,950,520
Preventative maintenance fund	649,932	—	649,932
Reserve fund	935,834	—	935,834
Endowment fund	—	6,702,782	6,702,782
<b>Total Net Assets</b>	<b>8,922,024</b>	<b>7,567,714</b>	<b>16,489,738</b>
<b>Other Resources</b>			
Community foundations	—	122,467	122,467
Pledges receivable	—	3,530,534	3,530,534
<b>Total Other Resources</b>	<b>—</b>	<b>3,653,001</b>	<b>3,653,001</b>
<b>Total Net Assets And Other Resources</b>	<b>\$ 8,922,024</b>	<b>\$ 11,220,715</b>	<b>\$ 20,142,739</b>

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

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**NOTE TO SUMMARY OF NET ASSETS AND OTHER RESOURCES  
September 30, 2021**

**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.

**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**

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**SUMMARY OF PLEDGES RECEIVABLE  
September 30, 2021 And 2020**

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, 2021 and 2020.

<b>Pledges Receivable, September 30, 2019</b>	\$ 15,158,757
Grant promises and pledges received	3,179,500
Grant and pledge payments received	<u>(10,164,393)</u>
<b>Pledges Receivable, September 30, 2020</b>	8,173,864
Grant promises and pledges received	223,500
Grant and pledge payments received	(4,716,830)
Grant and pledge payments written off	<u>(150,000)</u>
<b>Pledges Receivable, September 30, 2021</b>	<u><u>\$ 3,530,534</u></u>

Included in the pledge balance for the years ended September 30, 2021 and 2020 is a \$40,000 and \$110,000, respectively, pledge that has been pledged by a donor out of the donor's donor-advised fund.

Scheduled payments on pledges receivable are due as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ 1,734,205
2023	884,829
Thereafter	<u>911,500</u>
	<u><u>\$ 3,530,534</u></u>