KPMG

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Financial Statements

September 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

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KPMG LLP
1676 International Drive
McLean, VA 22102

Independent Auditors' Report

The Board of Trustees
Woodrow Wilson International Center for Scholars:

We have audited the accompanying financial statements of Woodrow Wilson International Center for Scholars, which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material 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 financial position of the Woodrow Wilson International Center for Scholars as of September 30, 2017 and 2016, and the results of its operations and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Other Matters

Our audits was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included in the schedules of financial position and changes in net assets (schedules 1 and 2) are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

McLean, Virginia
March 30, 2018

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Statements of Financial Position

September 30, 2017 and 2016

Assets		**2017**	**2016**
Current assets:			
Cash and fund balance with Treasury	$	7,342,193	4,860,541
Short-term investments (notes 3 and 4)		8,551,244	8,357,223
Receivables:			
Contributed facilities (notes 5)		3,440,000	3,440,000
Contract costs and fees		969,164	574,085
Other contributions		875,000	1,330,443
Subscriptions and other		11,787	14,025
Prepaid costs and advance payments		296,300	103,601
Total current assets		21,485,688	18,679,918
Investments (notes 3 and 4)		40,280,006	37,206,169
Other contributions		—	343,763
Equipment and leasehold improvements, net (note 6)		1,620,394	1,529,749
Wilson Memorial		225,000	225,000
Contributed facilities, net (notes 5)		33,919,342	37,359,342
Total assets	$	97,530,430	95,343,941
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	3,059,697	2,405,170
Grants payable		1,642,873	1,614,737
Deferred revenue		2,881,671	2,424,787
Total current and total liabilities		7,584,241	6,444,694
Net assets:			
Unrestricted:			
Undesignated		4,561,005	3,494,938
Board designated for endowment (note 8)		15,547,890	14,062,287
		20,108,895	17,557,225
Temporarily restricted (note 7)		53,330,216	55,091,180
Permanently restricted (notes 7 and 8)		16,507,078	16,250,842
Total net assets		89,946,189	88,899,247
Commitments and contingencies (notes 5, 9, 10 and 11)			
Total liabilities and net assets	$	97,530,430	95,343,941

See accompanying notes to financial statements.

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Statements of Activities

Years ended September 30, 2017 and 2016

		2017	2016
Unrestricted net assets:			
Revenues:			
Appropriations (note 12)	$	9,571,996	9,998,790
Grants and contributions		4,580,875	4,455,114
Investment gain (note 3)		2,429,442	1,634,176
Other income		82,836	281,826
Total revenues		16,665,149	16,369,906
Net assets released from restrictions (notes 5 and 7)		18,764,060	18,525,872
Total unrestricted revenues and other increases		35,429,209	34,895,778
Expenses:			
Program services:			
Fellows		5,461,805	5,492,240
Services to fellows		1,457,850	1,381,169
Conferences and special projects		16,444,879	16,030,727
Total program services		23,364,534	22,904,136
Supporting services:			
General and administrative		8,149,510	9,026,666
Fund-raising		1,363,495	2,295,051
Total supporting services		9,513,005	11,321,717
Total expenses		32,877,539	34,225,853
Change in unrestricted net assets		2,551,670	669,925
Temporarily restricted net assets:			
Contributions		15,497,908	15,432,969
Investment gain (note 3)		1,505,188	994,060
Net assets released from restrictions (notes 5 and 7)		(18,764,060)	(18,525,872)
Change in temporarily restricted net assets		(1,760,964)	(2,098,843)
Change in permanently restricted net assets – contributions		256,236	54,465
Change in net assets		1,046,942	(1,374,453)
Net assets, beginning of year		88,899,247	90,273,700
Net assets, end of year	$	89,946,189	88,899,247

See accompanying notes to financial statements.

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Statements of Cash Flows

Years ended September 30, 2017 and 2016

		2017	2016
Cash flows from operating activities:			
Change in net assets	$	1,046,942	(1,374,453)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		237,887	316,553
Net realized and unrealized gains on investments		(3,282,972)	(2,037,928)
Decrease in contributed facilities receivable		3,440,000	3,440,000
Decrease in other receivables		406,365	262,643
Increase in prepaid costs and advances		(192,699)	(18,718)
Increase (Decrease) in accounts payable and accrued expenses		654,527	(29,363)
Increase (Decrease) in grant payable		28,136	(477,249)
Increase in deferred revenue		456,884	98,745
Net cash provided by operating activities		2,795,070	180,230
Cash flows from investing activities:			
Purchase of equipment and leasehold improvements		(328,532)	(49,829)
Purchase of investments		(37,473,244)	(43,665,554)
Sale of investments		37,488,358	43,912,912
Net cash (used in) provided by investing activities		(313,418)	197,529
Net increase in cash and fund balance with Treasury		2,481,652	377,759
Cash and fund balance with Treasury, beginning of year		4,860,541	4,482,782
Cash and fund balance with Treasury, end of year	$	7,342,193	4,860,541

See accompanying notes to financial statements.

(1) Organization, Mission, and Federal Support

The Woodrow Wilson International Center for Scholars (the Center), a publicly supported, nonprofit organization, was created by the Congress of the United States, as a living memorial – an institution that would serve as a visible tribute to our 28th president by conducting activities that symbolize and strengthen relations between the world of learning and the world of public affairs.

The Center was established under the Woodrow Wilson Memorial Act of 1968 (P.L. 90-637) as an international center for advanced studies. The Center's purpose is accomplished through its program activities, including supporting international fellows and guest scholars, organizing meetings ranging from small seminars to major international conferences, multimedia publications to disseminate the Center's program information, and producing the digital *Wilson Quarterly* and various radio, television, webcasts and presentations to provide scholarly reports on important domestic and global issues.

Approximately one-third of the Center's operating budget is funded from its annual federal appropriation. Future appropriations are subject to the action of Congress and are therefore not assured. The Center received a federal appropriation of $10,500,000 for fiscal year 2017 through the Consolidated Appropriations Act, 2017 (Public Law 115-31) which shall remain available until September 30, 2018. The Center received a federal appropriation of $10,500,000 for fiscal year 2016 through the Consolidated and Further Continuing Appropriations Act, 2016 (Public Law 114-113) which remained available until September 30, 2017. In addition to the federal appropriations, additional significant federal support is provided through the provision of office space at no cost to the Center (see note 5).

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

(i) ***Unrestricted net assets*** – Net assets that are not subject to donor-imposed stipulations. This category includes net assets the Board has designated to function as an endowment.

(ii) ***Temporarily restricted net assets*** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Center and/or the passage of time.

(iii) ***Permanently restricted net assets*** – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center, with only income derived from these endowments available for expenditure.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted. The release of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

(b) Revenue Recognition

Contributions, including unconditional pledges, are recognized as revenues in the period that donors make unconditional promises to give. Conditional contributions are not recognized until such conditions are substantially met.

Gifts of land, buildings, and equipment are reported as unrestricted revenue unless explicit donor restrictions specify how the assets must be used. Contributed long-lived assets with explicit time or purpose restrictions are reported as temporarily restricted revenue (see note 5 for description of treatment of contributed facilities).

Federal appropriations revenues are recognized as exchange transactions to the extent reimbursable costs are incurred. The unexpended portion of the appropriation, for which reimbursable costs have not been incurred, are reported as deferred revenue on the statement of financial position. Unused appropriations are refunded five years after the period of availability (see note 12).

Revenue from subscriptions to *The Wilson Quarterly* is recorded as income over the period of the related subscription. Costs related to obtaining subscriptions to *The Wilson Quarterly* are charged to expense when costs are incurred.

All contributions receivable due over periods greater than one year are recorded at their discounted estimated net realizable value.

(c) Functional Allocation of Expenses

The costs of providing various programs and support activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(d) Fund Balance with Treasury

Fund balance with treasury represents federal appropriated funds that are available to pay current liabilities and authorized purchase commitments relative to goods or services.

(e) Investments

The Center’s investments are reported at their fair values based on quoted market prices or, with respect to alternative investments, at estimated fair value using net asset value (NAV) as a practical expedient. These estimated values are provided by external investment managers and are reviewed by and evaluated by the Center. Due to inherent uncertainties of these estimates, these values may differ from the value that would have been reported had a ready market for such investments existed. Changes in the fair value are recognized in the statements of activities. Gains and losses on investments are reported consistent with donor restrictions on investment earnings, if any.

Investments are classified as current or long-term based on investment strategies and management's expected use of funds.

(f) Equipment and Leasehold Improvements

Furniture and computer equipment is recorded at cost if purchased, or recorded at the fair value as of the date of the gift if contributed. Equipment acquired by transfer from government agencies is capitalized at the transfer price or at estimated fair value, taking into consideration expected use and current condition. Depreciation is recorded on a straight-line basis over the estimated useful lives of assets as follows:

Computer equipment	5 years
Furniture and fixtures	5 to 7 years

Leasehold improvements are recorded at cost and are depreciated over the estimated useful life of the asset or the remaining length of the lease, whichever is less.

(g) Wilson Memorial

In the memorial hallway, there is a permanent bas-relief of Woodrow Wilson that was commissioned and is displayed in the Ronald Reagan Building and International Trade Center. The cost of this bas-relief is capitalized and not depreciated.

(h) Grants Payable

The Center provides fellowship grants which are expensed and recorded as liabilities at the time the Center receives a signed offer letter from the recipient indicating acceptance of the grant.

(i) Other Income

Other income consists of royalties from sales of publications, honoraria received by executives of the Center for appearances, and other miscellaneous revenues.

(j) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions may affect reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

(k) Fair Value of Financial Instruments

FASB Accounting Standard Codification (ASC) Topic 820, *Fair Value Measurements*, establishes, among other things, a fair value hierarchy which 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy used by the Center are as follows:

(Continued)

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Center has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The fair values of the financial instruments represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Center's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Center based on the reports provided by the fund managers, including the latest audited statements as well as advice from our investment advisors.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Exchange-traded fund (ETF)/mutual funds – fixed income, certain ETF/mutual funds – equity, and institutional mutual funds – fixed income are measured using quoted market prices at the reporting date multiplied by the quantity held and are disclosed in Level 1.
- Certificates of deposit (CDs), commercial paper, corporate bonds, certain ETF/mutual funds – equity, and commingled funds – fixed income are measured based on a pricing service or estimated by utilizing a yield-based matrix system to arrive at an estimated market value. CDs, commercial paper and corporate bonds are disclosed in Level 2.
- Investments in absolute return funds, are reported at estimated fair value using net asset values provided by fund managers as a practical expedient. Management reviews and evaluates the values provided by the fund managers and agrees with the valuation methods and assumptions used in determining the fair value.

(l) Recent Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2015-07 "Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)" (the "ASU"), which updates existing fair value guidance and amends Accounting Standards Codification 820, "Fair Value Measurement". The amendments in the ASU remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The ASU is effective for annual reporting periods beginning after December 15, 2016 and early adoption is permitted. The early adoption of the ASU by the Center changed certain disclosures in Note 4, but did not have a material impact on its statements of financial position, activities, and cash flows.

In August 2016, FASB issued ASU 2016-14: *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which updates financial statement presentation requirements, including replacing the current three classes of net assets (Unrestricted, Temporarily Restricted, and Permanently Restricted) with only two classes – With Donor-imposed Restrictions and Without Donor-imposed Restrictions; requiring entities to present expenses by their natural and functional classifications in one location in the financial statements; and requiring entities to provide quantitative and qualitative information about management of liquid resources and availability of financial assets to meet cash needs within one year of the balance sheet date. The ASU is effective for annual reporting periods beginning after December 15, 2017 and early adoption is permitted. The Center has not elected to early adopt the guidance and is currently evaluating the impact on financial statements and related disclosures.

(3) Investments

Investments at September 30 consist of the following:

		2017	2016
Operating funds:			
Cash and cash equivalents	$	8,842	853,175
CDs and commercial paper		7,759,956	7,507,009
Corporate bonds		659,425	804,491
Institutional mutual fund – fixed income		2,252,851	1,295,937
Total operating funds		10,681,074	10,460,612
Endowment funds:			
Cash and cash equivalents		278,440	509,269
ETF/mutual funds – fixed income		5,178,245	3,320,050
Comingled funds – fixed income		1,885,851	1,855,736
ETF/mutual funds – equity		19,153,232	18,586,950
Absolute return funds		11,654,408	10,830,775
Total endowment funds		38,150,176	35,102,780
Total investments	$	48,831,250	45,563,392

Investment income for the years ended September 30, is comprised of the following:

		2017	2016
Interest and dividend income	$	651,658	590,308
Net realized and unrealized gains		3,282,972	2,037,928
	$	3,934,630	2,628,236

(4) Fair Value Measurements

The following tables present assets and liabilities that are measured at fair value on a recurring basis at September 30, 2017 and 2016:

	2017			
	Level 1	**Level 2**	**NAV**	**Total**
Cash and cash equivalents	$ 287,282	—	—	287,282
CDs and commercial paper	—	7,759,956	—	7,759,956
Corporate bonds	—	659,425	—	659,425
ETF/mutual funds – fixed income	5,178,245	—	—	5,178,245
Institutional mutual funds – fixed income	2,252,851	—	—	2,252,851
Commingled funds – fixed income	—	1,885,851	—	1,885,851
ETF/mutual funds – equity	19,153,232	—	—	19,153,232
Absolute return funds	—	—	11,654,408	11,654,408
	$ 26,871,610	10,305,232	11,654,408	48,831,250

	2016			
	Level 1	**Level 2**	**NAV**	**Total**
Cash and cash equivalents	$ 1,362,444	—	—	1,362,444
CDs and commercial paper	—	7,507,009	—	7,507,009
Corporate bonds	—	804,491	—	804,491
ETF/mutual funds – fixed income	3,320,051	—	—	3,320,051
Institutional mutual funds – fixed income	1,295,936	—	—	1,295,936
Commingled funds – fixed income	—	1,855,736	—	1,855,736
ETF/mutual funds – equity	16,888,624	1,698,326	—	18,586,950
Absolute return funds	—	—	10,830,775	10,830,775
	$ 22,867,055	11,865,562	10,830,775	45,563,392

The following tables summarize the liquidity for each investment reported at estimated fair value based on the net asset value at September 30, 2017 and 2016 (c):

		2017 Fair value	2016 Fair value	Redemption frequency	Redemption notice period
Commingled funds – fixed income (a)	$	1,885,851	1,855,736	Monthly	15 days
Absolute return funds (b)		11,654,408	10,830,775	Monthly, quarterly or annually	5–85 days
Total	$	13,540,259	12,686,511		

(a) This class is comprised of a single fixed income commingled fund. The fixed income fund is a commingled investment fund intended to invest only in sovereign bonds and construct a portfolio that pursues value and stability of income philosophy. In general, this fund seeks to produce returns that mirror or exceed various benchmarks established for comparable portfolios.

(b) This class is comprised of seven separate funds, including; four long/short hedge funds that invest in publicly traded securities, a partnership that investments in distressed securities, a fund that invests in event driven situations, and one that employs a multi-strategy with credit orientation.

The Center does not have any unfunded commitments related to the above investments as of September 30, 2017 or 2016.

(5) Contributed Building Facilities and Building Improvements

In 1997, the General Services Administration approved the Center’s use of 80,000 square feet of office space in the Ronald Reagan Building and International Trade Center for 30 years, beginning August 1998, at no cost to the Center. At the time of the donation, the General Services Administration estimated the fair value of the space for the first year to be $3.44 million. The Center recognized contribution revenue of $103,200,000 as temporarily restricted support at the time of the donation representing the estimated present value of the 30 year donation assuming the fair value cost of living rent increases would offset the required present value discounting of the contribution, estimated in 1997 at 5.2% per year. The unamortized discount of contributed facilities receivable is $12,011,658 and $13,577,658, as of September 30, 2017 and 2016, respectively.

The Center’s estimate of the fair value of the space is reviewed annually and revised based upon current market conditions. For the years ended September 30, 2017 and 2016, the Center was notified by the General Services Administration that the estimated value of the space utilized by the Center was approximately $9.28 million and $8.97 million, respectively, including building security.

In the accompanying statements of activities, the difference between the current estimated fair value of the space and the initial estimate of $3.44 million is recognized as current year contribution revenue. The Center considers the annual increase in the estimated fair value to represent temporarily restricted revenue, consistent with the recognition of the original commitment of the donated space. Annually, the total current fiscal year’s value of the space is recognized as in-kind rent expense.

The in-kind rent expense is a joint cost for activities hosted at the Center that included fundraising appeals. In fiscal year 2017, $0.16 million was allocated to fundraising, $3.35 million was allocated to fellows, $0.41 million was allocated to services to fellows, $3.02 million was allocated to conferences and special projects, and $2.34 million was allocated to general and administrative expense. In fiscal year 2016, $0.24 million was allocated to fundraising, $3.18 million was allocated to fellows, $0.34 million was allocated to services to fellows, $2.80 million was allocated to conferences and special projects, and $2.41 million was allocated to general and administrative expense.

Changes in the net assets related to the original estimated value of the 30-year commitment of donated space is summarized as follows:

		Unrestricted	Temporarily Restricted	Total
In-kind contribution revenue recognized in 1997	$	—	103,200,000	103,200,000
Cumulative amount released from restriction as of September 30, 2015		58,960,658	(58,960,658)	—
Cumulative in-kind rent expense as of September 30, 2015		(58,960,658)	—	(58,960,658)
2016 Release from restriction		3,440,000	(3,440,000)	—
2016 In-kind rent expense		(3,440,000)	—	(3,440,000)
Net assets as of September 30, 2016		—	40,799,342	40,799,342
2017 Release from restriction		3,440,000	(3,440,000)	—
2017 In-kind rent expense		(3,440,000)	—	(3,440,000)
Net assets as of September 30, 2017	$	—	37,359,342	37,359,342

In August 2028, the full amount of the original estimate of the in-kind donated rent $103.2 million will have been released from temporarily restricted net assets to unrestricted net assets.

The following tables detail the change in net assets related to the donated space in the accompanying statements of activities for the years ended September 30, 2017 and 2016:

	Unrestricted	Temporarily Restricted	2017 Total
Contribution revenue (increase in the estimated fair value of the space for 2017)	$ —	5,839,171	5,839,171
Release from restriction:			
Annual release based upon original valuation of donated space	3,440,000	(3,440,000)	—
Release of the 2017 increase in fair value of the donated space	5,839,171	(5,839,171)	—
Total release from restriction	9,279,171	(9,279,171)	—
Total revenue	9,279,171	(3,440,000)	5,839,171
In-kind rent expense	9,279,171	—	9,279,171
Change in net assets – donated space	$ —	(3,440,000)	(3,440,000)

	Unrestricted	Temporarily Restricted	2016 Total
Contribution revenue (increase in the estimated fair value of the space for 2016)	$ —	5,530,033	5,530,033
Release from restriction:			
Annual release based upon original valuation of donated space	3,440,000	(3,440,000)	—
Release of the 2016 increase in fair value of the donated space	5,530,033	(5,530,033)	—
Total release from restriction	8,970,033	(8,970,033)	—
Total revenue	8,970,033	(3,440,000)	5,530,033
In-kind rent expense	8,970,033	—	8,970,033
Change in net assets – donated space	$ —	(3,440,000)	(3,440,000)

(Continued)

(6) Equipment and Leasehold Improvements

As of September 30, equipment and leasehold improvements, net consist of the following:

		2017	2016
Furniture and other equipment	$	3,917,014	3,638,617
Leasehold improvements		2,660,715	2,660,715
		6,577,729	6,299,332
Less accumulated depreciation and amortization		(4,957,335)	(4,769,583)
	$	1,620,394	1,529,749

(7) Restricted Net Assets

Temporarily restricted net assets as of September 30 are restricted for the following:

		2017	2016
Future use of contributed building facilities	$	37,359,342	40,799,342
General Center		1,630,769	1,050,020
Kennan Institute		5,651,708	4,558,633
Global Women’s Leadership Initiative		144,182	787,732
Urban Studies Theme		81,174	24,194
Asia Program		2,802,434	2,573,086
Latin American Program		1,727,956	1,600,399
Canada Institute		125,999	(6,641)
Division of International Studies		200,923	212,659
Environmental Change and Security		387,507	301,735
Middle East Program		98,336	115,355
Africa Program		335,468	264,845
Congress Project		3,023	3,023
European Studies		1,200,377	1,138,394
Kissinger Institute		909,270	1,186,106
Polar Initiative		285,199	—
Science, Technology and Innovation Program		386,549	482,298
	$	53,330,216	55,091,180

(Continued)

During 2017 and 2016, the Center met donor-imposed requirements on certain gifts and, therefore, released temporarily restricted net assets as follows:

		2017	2016
Future use of contributed building facilities	$	9,279,171	8,970,033
General Center		1,517,694	1,225,204
Kennan Institute		1,606,290	1,525,741
Asia Program		515,083	518,900
Latin American Program		1,998,597	2,270,928
Canada Institute		238,826	624,711
Division of International Studies		62,981	31,661
Environmental Change and Security		591,434	564,680
Middle East Program		143,005	200,895
Africa Program		411,978	466,309
Polar Initiative		284,851	12,160
European Studies		974,970	915,976
Kissinger Institute		377,911	195,418
Urban Studies Theme		139,339	84,031
Science, Technology and Innovation Program		621,930	919,225
	$	18,764,060	18,525,872

Principal amounts of permanently restricted net assets at September 30 shown below provide investment income available to support the following activities:

		2017	2016
General Center	$	9,200,105	9,200,105
Lee H. Hamilton Lecture Series		437,200	437,200
Nancy Tucker Memorial Lecture Series		50,304	50,304
Canada Institute		350,000	350,000
Kennan Institute		2,610,470	2,610,470
Latin American Program		37,500	37,500
Asia Program		1,400,000	1,400,000
History and Public Policy		2,400,000	2,143,763
West European Studies		21,500	21,500
	$	16,507,078	16,250,842

(8) Endowment

The Center's endowment consists of nine individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The District of Columbia adopted the Uniform Prudent Management of Institutional Fund Act (UPMIFA) in January 2008. The Center has determined that it is not required to follow the District of Columbia's version of UPMIFA as a matter of law, but it may choose to implement the standards of UPMIFA in a future period. The Center continues to follow the guidance in the Uniform Management of Institutional Funds Act of 1972 (UMIFA) which focuses on the prudent spending of the net appreciation of a fund. The Center has interpreted UMIFA as requiring the preservation of the original gift of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as permanently restricted net assets (a) the original value of the 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.

(b) Return Objectives and Risk Parameters

The Center has adopted and the Board of Trustees has approved the Statement of Investment Policies and Objectives for the Endowment Fund. This policy has identified an appropriate risk posture for the fund, stated expectations and objectives for the fund, provides asset allocation guidelines and establishes criteria to monitor and evaluate the performance results of the fund's managers. The Center expects the Endowment Fund to provide an average real rate of return of 5% annually.

(c) Strategies Employed for Achieving Objectives

To satisfy its long term rate of return objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center targets a diversified asset allocation that over the long term will meet or exceed the total return of a composite benchmark index which represents the fund's target asset allocation.

(d) Spending Policy and How the Investment Objectives Relate to Spending Policy

The Center has a policy of appropriating for distribution each year up to 4% of its funds based on the moving average market value over the prior 36 months. In establishing this policy, the Center considered the long-term expected return on its funds. The Center expects the current spending policy to grow its endowment at an average of 1% real return annually.

(e) Redemption of Endowment Assets for Next Fiscal Year

For 2018, the Center has budgeted to redeem $1,377,000 of the endowment fund assets to be distributed for operations. Consistent with the spending policy described above, this amount represents 4% of the endowment market value.

(Continued)

Net asset classification by type of endowment as of September 30, 2017:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	6,495,208	16,507,078	23,002,286
Board-designated endowment funds	15,547,890	—	—	15,547,890
	$ 15,547,890	6,495,208	16,507,078	38,550,176

Changes in endowment net assets for the year ended September 30, 2017:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 14,062,287	5,533,414	16,250,842	35,846,543
Investment return:				
Investment income	336,472	218,484	—	554,956
Net appreciation (realized and unrealized gains)	2,018,299	1,286,704	—	3,305,003
Total investment income	2,354,771	1,505,188	—	3,859,959
Contributions	—	—	256,236	256,236
Appropriation of endowment assets for expenditure	(869,168)	(543,394)	—	(1,412,562)
	$ 15,547,890	6,495,208	16,507,078	38,550,176

Net asset classification by type of endowment as of September 30, 2016:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	5,533,414	16,250,842	21,784,256
Board-designated endowment funds	14,062,287	—	—	14,062,287
	$ 14,062,287	5,533,414	16,250,842	35,846,543

Changes in endowment net assets for the year ended September 30, 2016:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 13,382,173	5,074,422	16,196,377	34,652,972
Investment return:				
Investment income	312,250	199,165	—	511,415
Net appreciation (realized and unrealized losses)	1,246,520	794,894	—	2,041,414
Total investment income	1,558,770	994,059	—	2,552,829
Contributions	—	—	54,465	54,465
Appropriation of endowment assets for expenditure	(878,656)	(535,067)	—	(1,413,723)
	$ 14,062,287	5,533,414	16,250,842	35,846,543

(9) Related Party Transactions

Under a contractual agreement, the Smithsonian Institution (the Smithsonian) provides fiscal and administrative services to the Center which primarily include Federal appropriated funds accounting, human resource, general counsel, as well as related systems and security support. The Act of Congress that created the Center provides that the Secretary of the Smithsonian shall be a member of the Board of Trustees of the Center. The amount paid to the Smithsonian by the Center for these services totaled approximately $431 thousand and $425 thousand for the years ended September 30, 2017 and 2016, respectively.

As discussed in note 2(b), the Center receives pledges from donors. For the years ended September 30, 2017 and 2016, the Center received pledges from Members of the Board of Trustees and management totaling $324,816 and $469,599, respectively.

(10) Retirement Plans

Employees of the Center are covered by retirement plans administered by the Smithsonian and Office of Personnel Management (OPM), in which substantially all Center employees are eligible to participate. OPM administers the retirement plans for federal employees, which are those employees who are paid with federal appropriated funds, and the Smithsonian administers the retirement plans for nonfederal employees.

Federal employees of the Center are covered by the Federal Employee Retirement System (FERS). The features of this system is defined in published government documents. Under this system, the Center withholds from each federal employee’s salary a required percentage. The Center also contributes specified percentages. The Center’s expense under these systems for the years ended September 30, 2017 and 2016 was approximately $536,000 and $587,000, respectively, for retirement contributions.

(Continued)

Employees covered by FERS are eligible to contribute to the U.S. Government’s Thrift Savings Plan (TSP), administered by the Federal Retirement Thrift Investment Board. A TSP account is automatically established for FERS-covered employees, and the Center makes a mandatory contribution of 1% of basic pay. FERS-covered employees are entitled to contribute up to $18,000 for 2017 and 2016, respectively, (IRS limit) to their TSP accounts, with the Center making matching contributions of up to 4% of basic pay in addition to the automatic 1% employer paid contribution.

TSP participants age 50 or older who are already contributing the maximum amount of contributions for which they are eligible may also make catch-up contributions. TSP participants need to make a separate election to request catch-up contributions. However, each year, the IRS limits the total amount of regular and catch-up contributions an employee can make. (For example, in 2017, they cannot exceed $24,000: $18,000 in regular contributions, and $6,000 in catch-up contributions.); in 2016, they cannot exceed $24,000: $18,000 in regular contributions, and $6,000 in catch-up contributions.)

Most federal employees are eligible to enroll in the Federal Employees Health Benefit (FEHB) Program, which can provide post-retirement health benefits if certain conditions are met. OPM administers the program and is responsible for the reporting of liabilities. Currently, employer agencies are not required to make any contributions for post-retirement health benefits. OPM calculates the U.S. government’s service cost for covered employees each fiscal year. The estimated amounts which the Center has not recognized as imputed cost and imputed financing source related to these post-retirement benefits are approximately $292,000 and $334,000 for the years ended September 30, 2017 and 2016, respectively.

Most federal employees are entitled to participate in the Federal Employees Group Life Insurance (FEGLI) Program. Participating employees can obtain basic term life insurance, with the employee paying two-thirds of the cost and the Center paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life insurance coverage may be continued into retirement if certain requirements are met. OPM administers this program and is responsible for the reporting of liabilities. For each year, OPM calculates the U.S. government’s service cost for the post-retirement portion of the basic coverage. Because the Center’s contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the Center has recognized the entire service cost of the post-retirement portion of basic life coverage as an expense.

The Smithsonian administers for the Center a defined-contribution retirement plan for trust fund employees in which substantially all such employees are eligible to participate. Under the plan, the Center contributes specified percentages of employees’ salaries that are used to purchase individual annuities, the rights to which are immediately vested with the employees. Employees can make voluntary contributions, subject to certain limitations. The Center’s expense for this plan for fiscal year 2017 was $671,744 and for fiscal year 2016 was $640,818.

It is the policy of the Center to pay the accrued costs of all plans currently.

(11) Income Taxes

The Center has been recognized by the Internal Revenue Service as exempt from income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is a public charity. However, the Center remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

ASC Topic 740, *Income Taxes*, requires that management evaluate tax positions taken by the Center and recognize a tax liability (or assets) if the Center has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Center has analyzed the tax positions taken and has concluded that as of September 30, 2017, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in financial statements.

(12) Availability of Prior Years' Appropriations

The U.S. Congress enacted Public Law 101-510, the Defense Authorization Act, which determined an appropriation may remain open to pay obligated balances for five years following the appropriation availability period.

On September 30, 2017, the Center returned $87,594 to the U.S. Treasury which represented the unused fiscal year 2011 appropriation balance, which was available for a two-year period ending September 30, 2012.

On September 30, 2016, the Center returned $92,912 to the U.S. Treasury which represented the unused fiscal year 2010 appropriation balance, which was available for a two-year period from ending September 30, 2011.

Appropriations revenue is reconciled to the fiscal year 2017 and 2016 federal appropriations as follows:

		2017	2016
Appropriations revenue	$	9,571,996	9,998,790
Increase in deferred revenue		840,410	408,298
Returned unused appropriations		87,594	92,912
Fiscal year federal appropriation received	$	10,500,000	10,500,000

Federal expenses is reconciled to appropriations revenue, as follows:

		2017	2016
Total expenses	$	9,474,941	10,254,307
Less depreciation and amortization		(231,477)	(305,346)
Add equipment and leasehold improvements		328,532	49,829
Appropriations revenue	$	9,571,996	9,998,790

(13) Risks and Uncertainties

The Center 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 investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near future and that such changes could materially affect the amounts reported.

(14) Subsequent Events

Management has performed an evaluation of subsequent events through March 30, 2018, which is the date that the financial statements are available to be issued, noting no events which affect the financial statements as of September 30, 2017.

Schedule 1

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Schedule of Financial Position

September 30, 2017 and 2016

	2017				2016			
	Trust				Trust			
Assets	**Operating**	**Endowment**	**Federal**	**Totals**	**Operating**	**Endowment**	**Federal**	**Totals**
Current assets:								
Cash and fund balance with Treasury	$ 2,022,514	—	5,319,679	7,342,193	708,493	—	4,152,048	4,860,541
Short-term investments	8,551,244	—	—	8,551,244	8,357,223	—	—	8,357,223
Receivables:								
Contributed facilities	3,440,000	—	—	3,440,000	3,440,000	—	—	3,440,000
Contract costs and fees	969,164	—	—	969,164	574,085	—	—	574,085
Other contributions	475,000	400,000		875,000	930,443	400,000	—	1,330,443
Subscriptions and other	11,787	—	—	11,787	14,025	—	—	14,025
Prepaid costs and advance payments	109,949	—	186,351	296,300	103,601	—	—	103,601
Total current assets	15,579,658	400,000	5,506,030	21,485,688	14,127,870	400,000	4,152,048	18,679,918
Investments	2,129,830	38,150,176	—	40,280,006	2,103,389	35,102,780	—	37,206,169
Other contributions	—	—	—	—	—	343,763	—	343,763
Equipment and leasehold improvements, net	14,802	—	1,605,592	1,620,394	21,212	—	1,508,537	1,529,749
Wilson Memorial	225,000	—	—	225,000	225,000	—	—	225,000
Contributed facilities	33,919,342	—	—	33,919,342	37,359,342	—	—	37,359,342
Total assets	$ 51,868,632	38,550,176	7,111,622	97,530,430	53,836,813	35,846,543	5,660,585	95,343,941
Liabilities and Net Assets								
Current liabilities:								
Accounts payable and accrued expenses	$ 1,714,928	—	1,344,769	3,059,697	1,372,134	—	1,033,036	2,405,170
Grants payable	350,882	—	1,291,991	1,642,873	524,585	—	1,090,152	1,614,737
Deferred revenue	12,401	—	2,869,270	2,881,671	395,927	—	2,028,860	2,424,787
Total current and total liabilities	2,078,211	—	5,506,030	7,584,241	2,292,646	—	4,152,048	6,444,694
Net assets:								
Unrestricted:								
Undesignated	2,955,413	—	1,605,592	4,561,005	1,986,401	—	1,508,537	3,494,938
Board designated for endowment	—	15,547,890	—	15,547,890	—	14,062,287	—	14,062,287
	2,955,413	15,547,890	1,605,592	20,108,895	1,986,401	14,062,287	1,508,537	17,557,225
Temporarily restricted	46,835,008	6,495,208	—	53,330,216	49,557,766	5,533,414	—	55,091,180
Permanently restricted	—	16,507,078	—	16,507,078	—	16,250,842	—	16,250,842
Total net assets	49,790,421	38,550,176	1,605,592	89,946,189	51,544,167	35,846,543	1,508,537	88,899,247
Total liabilities and net assets	$ 51,868,632	38,550,176	7,111,622	97,530,430	53,836,813	35,846,543	5,660,585	95,343,941

See accompanying independent auditors' report.

Schedule 2

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Schedule of Changes in Net Assets

Years ended September 30, 2017 and 2016

	2017				2016			
	Trust				Trust			
	Operating	Endowment	Federal	Totals	Operating	Endowment	Federal	Totals
Unrestricted net assets:								
Revenues:								
Appropriations	$ —	—	9,571,996	9,571,996	—	—	9,998,790	9,998,790
Grants and contributions	4,580,875	—	—	4,580,875	4,455,114	—	—	4,455,114
Investment gain	74,671	2,354,771	—	2,429,442	75,407	1,558,769	—	1,634,176
Endowment payout	869,168	(869,168)	—	—	878,656	(878,656)	—	—
Other income	82,836	—	—	82,836	281,826	—	—	281,826
Total revenues	5,607,550	1,485,603	9,571,996	16,665,149	5,691,003	680,113	9,998,790	16,369,906
Net assets released from restrictions	18,764,060	—	—	18,764,060	18,525,872	—	—	18,525,872
Total unrestricted revenues and other increases	24,371,610	1,485,603	9,571,996	35,429,209	24,216,875	680,113	9,998,790	34,895,778
Expenses:								
Program services:								
Fellows	3,947,044	—	1,514,761	5,461,805	4,074,086	—	1,418,154	5,492,240
Services to fellows	417,041	—	970,459	1,387,500	337,582	—	1,043,587	1,381,169
Conferences and special projects	13,251,463	—	3,263,766	16,515,229	12,159,168	—	3,871,559	16,030,727
Total program services	17,615,548	—	5,748,986	23,364,534	16,570,836	—	6,333,300	22,904,136
Supporting services:								
General and administrative	4,423,555	—	3,725,955	8,149,510	5,105,659	—	3,921,007	9,026,666
Fund-raising	1,363,495	—		1,363,495	2,295,051	—	—	2,295,051
Total supporting services	5,787,050	—	3,725,955	9,513,005	7,400,710	—	3,921,007	11,321,717
Total expenses	23,402,598	—	9,474,941	32,877,539	23,971,546	—	10,254,307	34,225,853
Change in unrestricted net assets	969,012	1,485,603	97,055	2,551,670	245,329	680,113	(255,517)	669,925
Temporarily restricted net assets:								
Contributions	15,497,908	—	—	15,497,908	15,432,969	—	—	15,432,969
Investment gain	—	1,505,188	—	1,505,188	—	994,060	—	994,060
Endowment payout	543,394	(543,394)	—	—	535,067	(535,067)	—	—
Net assets released from restrictions	(18,764,060)	—	—	(18,764,060)	(18,525,872)	—	—	(18,525,872)
Change in temporarily restricted net assets	(2,722,758)	961,794	—	(1,760,964)	(2,557,836)	458,993	—	(2,098,843)
Change in permanently restricted net assets – contributions	—	256,236	—	256,236	—	54,465	—	54,465
Change in net assets	$ (1,753,746)	2,703,633	97,055	1,046,942	(2,312,507)	1,193,571	(255,517)	(1,374,453)

See accompanying independent auditors' report.