KPMG

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Financial Statements

September 30, 2018 and 2017

(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:

Report on the Financial Statements

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, 2018 and 2017, 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, 2018 and 2017, and the results of its operations and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other matters

Our audit 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 activities (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 29, 2019

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Statements of Financial Position

September 30, 2018 and 2017

Assets	**2018**	**2017**
Current assets:		
Cash and fund balance with Treasury	$ 9,686,480	7,342,193
Short-term investments (notes 3 and 4)	8,812,585	8,551,244
Receivables:		
Contributed facilities (note 5)	3,440,000	3,440,000
Contract costs and fees	1,093,465	969,164
Other contributions (note 6)	271,250	875,000
Subscriptions and other	8,618	11,787
Prepaid costs and advance payments	163,897	296,300
Total current assets	23,476,295	21,485,688
Investments (notes 3 and 4)	41,268,761	40,280,006
Equipment and leasehold improvements, net (note 7)	1,996,612	1,620,394
Wilson Memorial	225,000	225,000
Contributed facilities, net (note 5)	30,479,342	33,919,342
Total assets	$ 97,446,010	97,530,430
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses (notes 11 and 12)	$ 2,883,987	3,059,697
Grants payable	1,924,219	1,642,873
Deferred revenue	3,986,201	2,881,671
Total current and total liabilities	8,794,407	7,584,241
Net assets:		
Unrestricted:		
Undesignated	6,177,792	4,561,005
Board designated for endowment	15,753,623	15,547,890
	21,931,415	20,108,895
Temporarily restricted (note 8)	50,011,117	53,330,216
Permanently restricted (note 8)	16,709,071	16,507,078
Total net assets	88,651,603	89,946,189
Commitments and contingencies (notes 5, 10, 11 and 13)		
Total liabilities and net assets	$ 97,446,010	97,530,430

See accompanying notes to financial statements.

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Statements of Activities

Years ended September 30, 2018 and 2017

		2018	2017
Unrestricted net assets:			
Revenues:			
Appropriations	$	10,763,136	9,571,996
Grants and contributions		4,354,098	4,580,875
Investment income (note 3)		1,184,995	2,429,442
Other income		78,210	82,836
Total revenues		16,380,439	16,665,149
Net assets released from restrictions (notes 5 and 8)		19,199,807	18,764,060
Total unrestricted revenues and other increases		35,580,246	35,429,209
Expenses:			
Program services:			
Fellows		5,577,804	5,461,805
Services to fellows		1,594,264	1,457,850
Conferences and special projects		17,231,024	16,444,879
Total program services		24,403,092	23,364,534
Supporting services:			
General and administrative		8,052,877	8,149,510
Fund-raising		1,301,757	1,363,495
Total supporting services		9,354,634	9,513,005
Total expenses		33,757,726	32,877,539
Change in unrestricted net assets		1,822,520	2,551,670
Temporarily restricted net assets:			
Contributions		15,142,723	15,497,908
Investment income (note 3)		737,985	1,505,188
Net assets released from restrictions (notes 5 and 8)		(19,199,807)	(18,764,060)
Change in temporarily restricted net assets		(3,319,099)	(1,760,964)
Change in permanently restricted net assets – contributions		201,993	256,236
Change in net assets		(1,294,586)	1,046,942
Net assets, beginning of year		89,946,189	88,899,247
Net assets, end of year	$	88,651,603	89,946,189

See accompanying notes to financial statements.

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Statements of Cash Flows

Years ended September 30, 2018 and 2017

		2018	2017
Cash flows from operating activities:			
Change in net assets	$	(1,294,586)	1,046,942
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		303,136	237,887
Gain on disposal of assets		(4,000)	—
Net realized and unrealized gain on investments		(1,177,347)	(3,282,972)
Decrease in contributed facilities receivable		3,440,000	3,440,000
Decrease in other receivables		482,618	406,365
Decrease (Increase) in prepaid costs and advances		132,403	(192,699)
(Decrease) Increase in accounts payable and accrued expenses		(175,710)	654,527
Increase in grant payable		281,346	28,136
Increase in deferred revenue		1,104,530	456,884
Net cash provided by operating activities		3,092,390	2,795,070
Cash flows from investing activities:			
Purchase of equipment and leasehold improvements		(675,354)	(328,532)
Purchase of investments		(37,544,857)	(37,473,244)
Sale of investments		37,472,107	37,488,358
Net cash used in investing activities		(748,104)	(313,418)
Net increase in cash and fund balance with Treasury		2,344,287	2,481,652
Cash and fund balance with Treasury, beginning of year		7,342,193	4,860,541
Cash and fund balance with Treasury, end of year	$	9,686,480	7,342,193

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 $12,000,000 for fiscal year 2018 through the Consolidated Appropriations Act, 2018 (Public Law 115-141) which shall remain available until September 30, 2019. 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 remained available until September 30, 2018. 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) Net Asset Classification

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:

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.

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.

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 14).

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

The Fund Balance with Treasury represents 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 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.

The financial statements include a significant estimate by management to value a commitment from the federal government to provide office space to the Center through the year 2027 at no cost (see note 5).

(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:

- 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, ETF/mutual funds – equity, and Institutional mutual fund – fixed income, comprised of exchange-traded funds, 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, and corporate bonds 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, commingled funds-fixed income and ETF/mutual funds-equity are reported at estimated fair value using net asset values (NAV) 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. Investments measured using net asset value are classified as Level 2 if they are redeemable at or near year-end otherwise they are considered Level 3 (NAV).

(l) Recent Accounting Pronouncements

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:

	2018	2017
Operating funds:		
Cash and cash equivalents	$ 341,541	8,842
CDs and commercial paper	7,757,836	7,759,956
Corporate bonds	199,819	659,425
Institutional mutual fund – fixed income	2,650,913	2,252,851
Total operating funds	10,950,109	10,681,074
Endowment funds:		
Cash and cash equivalents	322,342	278,440
ETF/mutual funds – fixed income	5,250,974	5,178,245
Comingled funds – fixed income	—	1,885,851
ETF/mutual funds – equity	23,685,927	19,153,232
Absolute return funds	9,871,994	11,654,408
Total endowment funds	39,131,237	38,150,176
Total investments	$ 50,081,346	48,831,250

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

	2018	2017
Interest and dividend income	$ 745,633	651,658
Net realized and unrealized gains	1,177,347	3,282,972
	$ 1,922,980	3,934,630

(4) Fair Value Measurements

The following tables present assets and liabilities that are measured at fair value on a recurring basis at September 30, 2018 and 2017:

	2018			
	Level 1	Level 2	NAV	Total
Cash and cash equivalents	$ 663,883	—	—	663,883
CDs and commercial paper	—	7,757,836	—	7,757,836
Corporate bonds	—	199,819	—	199,819
ETF/mutual funds – fixed income	5,250,974	—	—	5,250,974
Institutional mutual funds – fixed income	2,650,913	—	—	2,650,913
ETF/mutual funds – equity	21,718,054	1,967,873	—	23,685,927
Absolute return funds	—	—	9,871,994	9,871,994
	$ 30,283,824	9,925,528	9,871,994	50,081,346

	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

The following tables summarize the liquidity for each investment reported at estimated fair value based on the net asset value at September 30, 2018 and 2017:

		2018 Fair value	2017 Fair value	Redemption frequency	Redemption notice period
Commingled funds – fixed income (a)	$	—	1,885,851	Monthly	15 days
Absolute return funds (b)		9,871,994	11,654,408	Monthly, quarterly or annually	5-85 days
Total	$	9,871,994	13,540,259		

(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 invests 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, 2018 or 2017.

(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 $9,742,658 and $12,011,658, as of September 30, 2018 and 2017, respectively.

In accordance with accounting principles generally accepted in the United States, 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, 2018 and 2017, the Center was notified by the General Services Administration that the estimated value of the space utilized by the Center was approximately $8.92 million and $9.28 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 2018, $0.24 million was allocated to fundraising, $3.12 million was allocated to fellows, $0.39 million was allocated to services to fellows, $2.97 million was allocated to conferences and special projects, and $2.19 million was allocated to general and administrative expense. 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.

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, 2016		62,400,658	(62,400,658)	—
Cumulative in-kind rent expense as of September 30, 2016		(62,400,658)	—	(62,400,658)
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
2018 Release from restriction		3,440,000	(3,440,000)	—
2018 In-kind rent expense		(3,440,000)	—	(3,440,000)
Net assets as of September 30, 2018	$	—	33,919,342	33,919,342

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.

(Continued)

The following table details the change in net assets related to the donated space in the accompanying statements of activities for the year ended September 30, 2018 and 2017:

	Unrestricted	Temporarily Restricted	2018 Total
Contribution revenue (increase in the estimated fair value of the space for 2018)	$ —	5,484,592	5,484,592
Release from restriction:			
Annual release based upon original valuation of donated space	3,440,000	(3,440,000)	—
Release of the 2018 increase in fair value of the donated space	5,484,592	(5,484,592)	—
Total release from restriction	8,924,592	(8,924,592)	—
Total revenue	8,924,592	(3,440,000)	5,484,592
In-kind rent expense	8,924,592	—	8,924,592
Change in net assets - donated space	$ —	(3,440,000)	(3,440,000)

	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)

(6) Other Contributions Receivable

Contributions receivable at September 30, 2018 and 2017 were $271,250 and $875,000 respectively, consist of unconditional promises expected to be collected in the respective periods.

All contributions receivable are considered fully collectible by management for the years ending September 30, 2018 and 2017.

(7) Equipment and Leasehold Improvements

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

	2018	2017
Furniture and other equipment	$ 4,040,786	3,917,014
Leasehold improvements	2,660,715	2,660,715
	6,701,501	6,577,729
Less accumulated depreciation and amortization	(4,704,889)	(4,957,335)
	$ 1,996,612	1,620,394

(8) Restricted Net Assets

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

	2018	2017
Future use of contributed building facilities	$ 33,919,342	37,359,342
General Center	528,482	1,630,769
Kennan Institute	6,377,573	5,651,708
Global Women's Leadership Initiative	—	144,182
Urban Studies Theme	41,096	81,174
Asia Program	2,813,030	2,802,434
Latin American Program	2,720,963	1,727,956
Canada Institute	203,903	125,999
Division of International Studies	125,267	200,923
Environmental Change and Security	210,227	387,507
Middle East Program	76,554	98,336
Africa Program	297,257	335,468
Congress Project	—	3,023
European Studies	925,471	1,200,377
Kissinger Institute	729,146	909,270
Polar Initiative	54,824	285,199
Science, Technology and Innovation Program	987,982	386,549
	$ 50,011,117	53,330,216

During 2018 and 2017, the Center met donor-imposed requirements on certain gifts and, therefore, released temporarily restricted net assets as follows:

		2018	2017
Future use of contributed building facilities	$	8,924,592	9,279,171
General Center		1,308,574	1,517,694
Kennan Institute		1,956,670	1,606,290
Asia Program		767,059	515,083
Latin American Program		2,573,166	1,998,597
Canada Institute		248,257	238,826
Division of International Studies		126,056	62,981
Environmental Change and Security		564,861	591,434
Middle East Program		236,897	143,005
Africa Program		382,260	411,978
Polar Initiative		16,375	284,851
European Studies		606,028	974,970
Kissinger Institute		533,123	377,911
Urban Studies Theme		145,523	139,339
Science, Technology and Innovation Program		810,366	621,930
	$	19,199,807	18,764,060

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

		2018	2017
General Center	$	9,202,097	9,200,104
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		4,000,000	1,400,000
History and Public Policy		—	2,400,000
West European Studies		21,500	21,500
	$	16,709,071	16,507,078

(9) 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 2019, the Center has budgeted to redeem $1,433,000 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.

Net asset classification by type of endowment as of September 30, 2018:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	6,668,543	16,709,071	23,377,614
Board-designated endowment funds	15,753,623	—	—	15,753,623
	$ 15,753,623	6,668,543	16,709,071	39,131,237

Changes in endowment net assets for the year ended September 30, 2018:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 15,547,890	6,495,208	16,507,078	38,550,176
Investment return:				
Investment income	339,992	237,200	—	577,192
Net appreciation (realized and unrealized gains	734,871	500,785	—	1,235,656
Total investment income	1,074,863	737,985	—	1,812,848
Contributions	—	—	201,993	201,993
Appropriation of endowment assets for expenditure	(869,130)	(564,650)	—	(1,433,780)
	$ 15,753,623	6,668,543	16,709,071	39,131,237

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 depreciation (realized and unrealized losses)	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

(10) 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 $412,000 and $431,000 for the years ended September 30, 2018 and 2017, respectively.

As discussed in note 2(b), the Center receives pledges from donors. For the years ended September 30, 2018 and 2017, the Center received pledges from Members of the Board of Trustees and management totaling approximately $342,884 and $324,816, respectively. As of September 30, 2018 and 2017, amounts promised by Members of the Board of Trustees and management have been received.

(11) 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 non-federal 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 this system for the years ended September 30, 2018 and 2017 was approximately $522,000 and $536,000, respectively, for retirement contributions.

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 $18,500 and $18,000 for 2018 and

2017, 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 2018, they cannot exceed $24,500: $18,500 in regular contributions, and $6,000 in catch-up contributions.); in 2017, 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 $361,000 and $292,000 for the years ended September 30, 2018 and 2017, 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 2018 was $652,832 and for fiscal year 2017 the expense was $671,744.

In addition to the retirement plans, certain health care and life insurance benefits are made available to active and retired trust fund employees. The plan is contributory for retirees and requires payment of premiums and deductibles. Retiree contributions for premiums are established by an insurance carrier based on the average per capita cost of benefit coverage for all participants. As of September 30, 2018, the accrued benefit obligation under this plan was $363,184 and is included in accounts payable and accrued expenses in the statement of financial position (see note 12 below for additional financial statement disclosure).

(12) Other Postretirement Employee Benefits (OPEB)

The Center offers Trust fund employees who have met certain eligibility requirements health care and life insurance benefits.

Amounts recognized in fiscal year 2018 and included in accounts payable and accrued expenses in the accompanying financial statements for postretirement health and life benefits consist of the following:

Change in postretirement benefit obligation:		
Benefit obligation, beginning of year	$	552,106
Service cost		16,060
Interest cost		14,915
Plan participants' contributions		4,939
Actuarial gain		(199,054)
Benefits paid		(25,782)
Benefit obligation, end of year	$	363,184
Net periodic postretirement benefit cost:		
Service cost	$	16,060
Interest cost		14,915
Amortization of actuarial net gain		(9,538)
Net period benefit cost	$	21,437
OPEB changes other than net periodic postretirement benefit cost:		
Net actuarial gain	$	(199,054)
Amortization of actuarial net gain		9,538
Total OPEB changes other than net periodic postretirement benefit cost	$	(189,516)

(a) Actuarial Assumptions

The following assumptions were used in calculating the actuarial valuations at September 30, 2018:

Medical/Drug trend rate next year	8.00%
Ultimate trend rate (ultimate trend rate reached in 2024)	5.00%
Discount rate used to value end of year accumulated postretirement benefit obligation	4.03%
Discount rate used to value net periodic postretirement benefit cost	3.73%

(b) Contributions and Benefit Payments

Employer contributions are equal to benefit payments net of retiree contributions paid each year. For the year ended September 30, 2018, the employer contribution and benefits paid were $20,843 and $25,782 respectively.

Estimated future benefit payments are expected to be paid as follows:

Fiscal Year		Net Benefit Payment
2019	$	15,733
2020		17,463
2021		18,272
2022		20,372
2023 -2027		88,098
Total	$	159,938

(13) 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, 2018, 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.

(14) 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, 2018, the Center returned $141,497 to the U.S. Treasury which represented the unused fiscal year 2012 appropriation balance, which was available for a two-year period ending September 30, 2013.

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.

Appropriations revenue is reconciled to the fiscal year 2018 and 2017 federal appropriations as follows:

		2018	2017
Appropriations revenue	$	10,763,136	9,571,996
Increase in unexpended appropriations		1,095,367	840,410
Returned unused appropriations		141,497	87,594
Fiscal Year federal appropriation received	$	12,000,000	10,500,000

Federal expenses is reconciled to appropriations revenue, as follows:

		2018	2017
Total expenses	$	10,372,116	9,474,941
Less:			
Depreciation and amortization		(288,334)	(231,477)
Add:			
Equipment and leasehold improvements		679,354	328,532
Appropriations revenue	$	10,763,136	9,571,996

(15) 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 at least 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.

(16) Subsequent Events

Management has performed an evaluation of subsequent events through March 29, 2019, 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, 2018.

Schedule 1

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Schedule of Financial Position

September 30, 2018 and 2017

	2018				2017			
	Trust				Trust			
Assets	**Operating**	**Endowment**	**Federal**	**Totals**	**Operating**	**Endowment**	**Federal**	**Totals**
Current assets:								
Cash and fund balance with treasury	$ 3,113,021	—	6,573,459	9,686,480	2,022,514	—	5,319,679	7,342,193
Short-term investments	8,812,585	—	—	8,812,585	8,551,244	—	—	8,551,244
Receivables:								
Contributed facilities	3,440,000	—	—	3,440,000	3,440,000	—	—	3,440,000
Contract costs and fees	1,093,465	—	—	1,093,465	969,164	—	—	969,164
Other contributions	271,250	—	—	271,250	475,000	400,000	—	875,000
Subscriptions and other	8,618	—	—	8,618	11,787	—	—	11,787
Prepaid costs and advance payments	163,897	—	—	163,897	109,949	—	186,351	296,300
Total current assets	16,902,836	—	6,573,459	23,476,295	15,579,658	400,000	5,506,030	21,485,688
Investments	2,137,524	39,131,237	—	41,268,761	2,129,830	38,150,176	—	40,280,006
Equipment and leasehold improvements, net	—	—	1,996,612	1,996,612	14,802	—	1,605,592	1,620,394
Wilson Memorial	225,000	—	—	225,000	225,000	—	—	225,000
Contributed facilities	30,479,342	—	—	30,479,342	33,919,342	—	—	33,919,342
	$ 49,744,702	39,131,237	8,570,071	97,446,010	51,868,632	38,550,176	7,111,622	97,530,430
Liabilities and Net Assets								
Current liabilities:								
Accounts payable and accrued expenses	$ 1,569,487	—	1,314,500	2,883,987	1,714,928	—	1,344,769	3,059,697
Grants payable	629,897	—	1,294,322	1,924,219	350,882	—	1,291,991	1,642,873
Deferred revenue	21,564	—	3,964,637	3,986,201	12,401	—	2,869,270	2,881,671
	2,220,948	—	6,573,459	8,794,407	2,078,211	—	5,506,030	7,584,241
Net assets:								
Unrestricted:								
Undesignated	4,181,180	—	1,996,612	6,177,792	2,955,413	—	1,605,592	4,561,005
Board designated for endowment	—	15,753,623	—	15,753,623	—	15,547,890	—	15,547,890
	4,181,180	15,753,623	1,996,612	21,931,415	2,955,413	15,547,890	1,605,592	20,108,895
Temporarily restricted	43,342,574	6,668,543	—	50,011,117	46,835,008	6,495,208	—	53,330,216
Permanently restricted	—	16,709,071	—	16,709,071	—	16,507,078	—	16,507,078
Total net assets	47,523,754	39,131,237	1,996,612	88,651,603	49,790,421	38,550,176	1,605,592	89,946,189
Commitments and contingencies								
	$ 49,744,702	39,131,237	8,570,071	97,446,010	51,868,632	38,550,176	7,111,622	97,530,430

See accompanying independent auditors' report.

Schedule 2

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Schedule of Activities

Years ended September 30, 2018 and 2017

	2018				2017			
	Trust				Trust			
	Operating	Endowment	Federal	Totals	Operating	Endowment	Federal	Totals
Unrestricted net assets:								
Revenues:								
Appropriations	$ —	—	10,763,136	10,763,136	—	—	9,571,996	9,571,996
Grants and contributions	4,354,098	—	—	4,354,098	4,580,875	—	—	4,580,875
Investment income	110,132	1,074,863	—	1,184,995	74,671	2,354,771	—	2,429,442
Endowment payout	869,130	(869,130)	—	—	869,168	(869,168)	—	—
Other income	78,210	—	—	78,210	82,836	—	—	82,836
Total revenues	5,411,570	205,733	10,763,136	16,380,439	5,607,550	1,485,603	9,571,996	16,665,149
Net assets released from restrictions	19,199,807	—	—	19,199,807	18,764,060	—	—	18,764,060
Total unrestricted revenues and other increase	24,611,377	205,733	10,763,136	35,580,246	24,371,610	1,485,603	9,571,996	35,429,209
Expenses:								
Program services:								
Fellows	3,973,822	—	1,603,982	5,577,804	3,947,044	—	1,514,761	5,461,805
Services to fellows	390,146	—	1,204,118	1,594,264	417,041	—	970,459	1,387,500
Conferences and special projects	13,596,253	—	3,634,771	17,231,024	13,251,463	—	3,263,766	16,515,229
Total program services	17,960,221	—	6,442,871	24,403,092	17,615,548	—	5,748,986	23,364,534
Supporting services:								
General and administrative	4,123,632	—	3,929,245	8,052,877	4,423,555	—	3,725,955	8,149,510
Fund-raising	1,301,757	—	—	1,301,757	1,363,495	—	—	1,363,495
Total supporting services	5,425,389	—	3,929,245	9,354,634	5,787,050	—	3,725,955	9,513,005
Total expenses	23,385,610	—	10,372,116	33,757,726	23,402,598	—	9,474,941	32,877,539
Change in unrestricted net assets	1,225,767	205,733	391,020	1,822,520	969,012	1,485,603	97,055	2,551,670
Temporarily restricted net assets:								
Contributions	15,142,723	—	—	15,142,723	15,497,908	—	—	15,497,908
Investment income	—	737,985	—	737,985	—	1,505,188	—	1,505,188
Endowment payout	564,650	(564,650)	—	—	543,394	(543,394)	—	—
				—				—
Net assets released from restrictions	(19,199,807)	—	—	(19,199,807)	(18,764,060)	—	—	(18,764,060)
Change in temporarily restricted net assets	(3,492,434)	173,335	—	(3,319,099)	(2,722,758)	961,794	—	(1,760,964)
Change in permanently restricted net assets – contributions	—	201,993	—	201,993	—	256,236	—	256,236
Change in net assets	$ (2,266,667)	581,061	391,020	(1,294,586)	(1,753,746)	2,703,633	97,055	1,046,942

See accompanying independent auditors' report.