

Eisenhower Fellowships

Financial Statements

Years Ended December 31, 2016 and 2015



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EISENHOWER FELLOWSHIPS

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INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
Eisenhower Fellowships
Philadelphia, Pennsylvania**

We have audited the accompanying financial statements of Eisenhower Exchange Fellowships, Incorporated (a nonprofit organization also known as and referred to herein as Eisenhower Fellowships), which comprise the statements of financial position as of December 31, 2016 and 2015, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 auditor's 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 Eisenhower Fellowships as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of expenses on page 15 are presented for purposes of additional analysis and are not a required part of the 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 audits 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BBD, LLP.

**Philadelphia, Pennsylvania
May 2, 2017**

EISENHOWER FELLOWSHIPS

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 806,718	\$ 552,290
Contributions and grants receivable, net	992,802	1,047,275
Prepaid expenses and other	127,517	121,920
Investments	32,783,754	32,216,442
Property and equipment, net	2,535,981	2,574,995
Beneficial interest in federal trust fund	<u>7,929,434</u>	<u>7,945,450</u>
Total assets	<u>\$ 45,176,206</u>	<u>\$ 44,458,372</u>
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 159,703</u>	<u>\$ 321,334</u>
NET ASSETS		
Unrestricted		
Operating	700,000	700,000
Board designated	<u>31,785,830</u>	<u>31,047,349</u>
	32,485,830	31,747,349
Temporarily restricted	342,000	185,000
Permanently restricted	<u>12,188,673</u>	<u>12,204,689</u>
Total net assets	<u>45,016,503</u>	<u>44,137,038</u>
Total liabilities and net assets	<u>\$ 45,176,206</u>	<u>\$ 44,458,372</u>

See accompanying notes

EISENHOWER FELLOWSHIPS

STATEMENT OF ACTIVITIES

Year ended December 31, 2016 with comparative totals for 2015

	Unrestricted			Temporarily Restricted	Permanently Restricted	Totals	
	Operating	Board Designated	Total			2016	2015
REVENUE							
Contributions and grants	\$ 3,049,459	\$ 20,000	\$ 3,069,459	\$ 407,000	\$ -	\$ 3,476,459	\$ 2,673,870
Net assets released from restrictions	215,000	35,000	250,000	(250,000)	-	-	-
Spendable draw from endowment earnings	2,026,919	(2,026,919)	-	-	-	-	-
Total revenue	<u>5,291,378</u>	<u>(1,971,919)</u>	<u>3,319,459</u>	<u>157,000</u>	<u>-</u>	<u>3,476,459</u>	<u>2,673,870</u>
EXPENSES							
Program services							
Global programs	3,163,178	-	3,163,178	-	-	3,163,178	3,001,542
Global Fellows Network	1,001,402	-	1,001,402	-	-	1,001,402	1,111,648
Supporting services							
Management and general	531,431	-	531,431	-	-	531,431	477,209
Development	468,286	-	468,286	-	-	468,286	508,513
Total expenses	<u>5,164,297</u>	<u>-</u>	<u>5,164,297</u>	<u>-</u>	<u>-</u>	<u>5,164,297</u>	<u>5,098,912</u>
Change in net assets before other changes	<u>127,081</u>	<u>(1,971,919)</u>	<u>(1,844,838)</u>	<u>157,000</u>	<u>-</u>	<u>(1,687,838)</u>	<u>(2,425,042)</u>
OTHER CHANGES							
Other revenue	-	11,151	11,151	-	-	11,151	7,769
Change in value of investments (Note 6)	-	2,572,168	2,572,168	-	(16,016)	2,556,152	(1,343,517)
Transfer of funds by Board to operating reserve	(127,081)	127,081	-	-	-	-	-
Total other changes	<u>(127,081)</u>	<u>2,710,400</u>	<u>2,583,319</u>	<u>-</u>	<u>(16,016)</u>	<u>2,567,303</u>	<u>(1,335,748)</u>
CHANGE IN NET ASSETS	<u>-</u>	<u>738,481</u>	<u>738,481</u>	<u>157,000</u>	<u>(16,016)</u>	<u>879,465</u>	<u>(3,760,790)</u>
NET ASSETS							
Beginning of year	700,000	31,047,349	31,747,349	185,000	12,204,689	44,137,038	47,897,828
End of year	<u>\$ 700,000</u>	<u>\$ 31,785,830</u>	<u>\$ 32,485,830</u>	<u>\$ 342,000</u>	<u>\$ 12,188,673</u>	<u>\$ 45,016,503</u>	<u>\$ 44,137,038</u>

See accompanying notes

EISENHOWER FELLOWSHIPS

STATEMENT OF ACTIVITIES

Year ended December 31, 2015

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Board Designated	Total			
REVENUE						
Contributions and grants	\$ 2,536,170	\$ -	\$ 2,536,170	\$ 101,700	\$ 36,000	\$ 2,673,870
Net assets released from restrictions	192,500	35,000	227,500	(227,500)	-	-
Spendable draw from endowment earnings	1,905,230	(1,905,230)	-	-	-	-
Total revenue	<u>4,633,900</u>	<u>(1,870,230)</u>	<u>2,763,670</u>	<u>(125,800)</u>	<u>36,000</u>	<u>2,673,870</u>
EXPENSES						
Program services						
Global programs	3,001,542	-	3,001,542	-	-	3,001,542
Global Fellows Network	1,111,648	-	1,111,648	-	-	1,111,648
Supporting services						
Management and general	477,209	-	477,209	-	-	477,209
Development	508,513	-	508,513	-	-	508,513
Total expenses	<u>5,098,912</u>	<u>-</u>	<u>5,098,912</u>	<u>-</u>	<u>-</u>	<u>5,098,912</u>
Change in net assets before other changes	<u>(465,012)</u>	<u>(1,870,230)</u>	<u>(2,335,242)</u>	<u>(125,800)</u>	<u>36,000</u>	<u>(2,425,042)</u>
OTHER CHANGES						
Other revenue	-	7,769	7,769	-	-	7,769
Change in value of investments (Note 6)	-	(1,183,543)	(1,183,543)	-	(159,974)	(1,343,517)
Transfer of funds by Board to operating reserve	465,012	(465,012)	-	-	-	-
Total other changes	<u>465,012</u>	<u>(1,640,786)</u>	<u>(1,175,774)</u>	<u>-</u>	<u>(159,974)</u>	<u>(1,335,748)</u>
CHANGE IN NET ASSETS	<u>-</u>	<u>(3,511,016)</u>	<u>(3,511,016)</u>	<u>(125,800)</u>	<u>(123,974)</u>	<u>(3,760,790)</u>
NET ASSETS						
Beginning of year	700,000	34,558,365	35,258,365	310,800	12,328,663	47,897,828
End of year	<u>\$ 700,000</u>	<u>\$ 31,047,349</u>	<u>\$ 31,747,349</u>	<u>\$ 185,000</u>	<u>\$ 12,204,689</u>	<u>\$ 44,137,038</u>

See accompanying notes

EISENHOWER FELLOWSHIPS

STATEMENTS OF CASH FLOWS

Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 879,465	\$ (3,760,790)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation expense	108,061	128,010
Net realized and unrealized (gain) loss on investments	(2,010,675)	2,205,993
Change in value of beneficial interest in federal trust fund	16,016	159,974
Contributions restricted for long-term purposes	-	(36,000)
(Increase) decrease in		
Contributions and grants receivable, net	(195,527)	(271,475)
Prepaid expenses and other	(5,597)	(36,682)
Increase (decrease) in		
Accounts payable and accrued expenses	(161,631)	114,379
Net cash used for operating activities	<u>(1,369,888)</u>	<u>(1,496,591)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(6,268,969)	(3,556,417)
Proceeds from sale of investments	7,712,332	4,029,728
Purchase of property and equipment	(69,047)	(109,072)
Net cash provided by investing activities	<u>1,374,316</u>	<u>364,239</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for investment in endowment	250,000	250,000
Net change in cash	254,428	(882,352)
CASH		
Beginning of year	<u>552,290</u>	<u>1,434,642</u>
End of year	<u>\$ 806,718</u>	<u>\$ 552,290</u>

See accompanying notes

EISENHOWER FELLOWSHIPS

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

(1) NATURE OF OPERATIONS

Eisenhower Fellowships ("**EF**"), formally known as Eisenhower Exchange Fellowships, Incorporated, is a nonprofit organization located in Philadelphia, Pennsylvania that grants fellowships for a period of travel, both in the United States and abroad, to individuals from foreign countries and Americans, who have demonstrated leadership achievement in their respective country and profession. The fellowships enable these individuals to interact with their professional counterparts to gain new perspectives on key professional issues, and to experience a different culture. EF's Global Fellows Network provides an opportunity for the continued sharing of information, ideas and perspectives among Fellows, trustees and staff, and to advance the ongoing mission of the organization.

A core feature of the fellowship is that it is life-long. There has always been activity among Fellows post fellowship, including over two dozen conferences that helped Fellows to maintain EF ties. In recent years, Fellows have formed in-country associations, and use October 14, the Eisenhower Day of Fellowship, as an occasion to organize activities of interest and importance to them, and their communities. In 2011, as a way to add greater impact to the life-long Eisenhower Fellowship experience, the board amended the organization mission statement to include the collaboration among EF Fellows, as well as with others in their personal networks, to achieve specific, scalable, measurable outcomes that can advance peace, justice and prosperity.

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

EF reports information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted net assets

Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of EF and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as "net assets released from restrictions."

Permanently restricted net assets

Net assets that are subject to donor-imposed restrictions that such assets be maintained indefinitely.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

EISENHOWER FELLOWSHIPS

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

Fair Value Measurements

Generally accepted accounting principles ("**GAAP**") define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of EF. Unobservable inputs reflect EF's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that EF has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or based on similar instruments in active markets or based on models derived from valuations observable in active markets.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect EF's own assumptions.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statements of activities. Investments in limited partnerships are reported at fair value based upon the valuation of the partnership's underlying securities, with gains and losses included in the statements of activities. Investment income is recorded as earned. Restricted investment income whose restrictions are satisfied in the same period are classified as unrestricted.

EF invests in professionally managed portfolios that contain various types of securities (**See Note 4**). Such investments are exposed to market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the financial statements.

Property and Equipment

EF capitalizes all expenditures for property and equipment in excess of \$1,000. Property and equipment is carried at cost if purchased and at fair value at the date of donation if contributed. Depreciation is computed using the straight-line method over the estimated lives of the assets.

Beneficial Interest in Federal Trust Fund

The beneficial interest in federal trust fund is reported at the fair market value of the trust fund.

Contributions and Grants

Contributions and grants are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions and grants whose restrictions are satisfied in the same period are reported as unrestricted.

Unconditional contributions and grants are recognized as revenue when the related promise to give is received. Conditional contributions and grants are recognized as revenue when the conditions are satisfied.

EISENHOWER FELLOWSHIPS

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

Functional Allocation of Expenses

The costs of providing various program and supporting services have been presented on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited based primarily upon the relative time spent by EF's employees on each function.

Income Tax Status

EF is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to EF's tax-exempt purpose is subject to taxation as unrelated business income. In addition, EF qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. GAAP prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. EF believes that it had no uncertain tax positions as defined in GAAP.

Concentrations of Credit Risk

Financial instruments which potentially subject EF to concentrations of credit risk are cash and contributions and grants receivable. EF maintains cash deposits at various high-quality banks and financial institutions. At times, such deposits may exceed federally-insured limits. Management performs ongoing evaluations of contributions and grants receivable for potential credit losses. Collateral is not required.

(3) CONTRIBUTIONS AND GRANTS RECEIVABLE

Receivables are expected to be collected as follows:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 805,802	\$ 797,275
One to five years	<u>205,000</u>	<u>250,000</u>
Total receivables	1,010,802	1,047,275
Less discount to net present value	<u>(18,000)</u>	<u>-</u>
Net receivables	<u>\$ 992,802</u>	<u>\$1,047,275</u>

(4) INVESTMENTS

Investments at December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 56,498	\$ 56,498	\$ 446,254	\$ 446,254
Mutual funds				
Equity	14,425,914	14,782,927	16,159,470	14,857,859
Exchange traded funds				
Equity	2,409,493	2,167,329	2,747,053	2,462,744
Equity securities	2,281,348	2,357,033	2,265,191	2,115,657
Limited partnerships	<u>12,699,261</u>	<u>13,419,967</u>	<u>12,718,641</u>	<u>12,333,928</u>
	<u>\$31,872,514</u>	<u>\$32,783,754</u>	<u>\$34,336,609</u>	<u>\$32,216,442</u>

EISENHOWER FELLOWSHIPS

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

Limited partnerships consisted of the following at December 31, 2016:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Equity long/short funds (a)	\$ 5,050,148	None	End of Month	10 - 90 days
Greater China Fund (b)	936,045	None	End of Month	30 days
Fixed income funds (c)	3,569,941	None	End of Month	10 - 30 days
Blended fund (d)	1,343,981	None	End of Month	65 - 90 days
Japanese equities fund (e)	1,086,152	None	Daily	6 business days
Emerging markets equities fund (f)	<u>1,433,700</u>	None	Daily	10 business days
	<u>\$13,419,967</u>			

(a) – This category includes investments in three limited partnerships that primarily invest in both long and short U.S. and non-U.S. equities. The fair values of the investments in this category have been estimated using the net asset value per share. There are no lock-up redemption restrictions on these limited partnerships at December 31, 2016.

(b) – This category includes an investment in a limited partnership that invests in a wide variety of securities and financial instruments, U.S. and non-U.S., primarily in the securities of companies conducting business in or deriving income from the Asian economies with a focus on the greater China region. The fair value of the investment in this category has been estimated using the net asset value per share. The investment in this category does not have lock-up redemption restrictions at December 31, 2016.

(c) – This category includes investments in two limited partnerships. One limited partnership invests primarily in publicly-traded debt obligations of U.S. and foreign governments, their agencies and supranationals. The other limited partnership invests primarily in bank loans and high yield bonds. There are no lock-up redemption restrictions on these investments. The fair values of the investments in this category have been estimated using the net asset value per share.

(d) – This category includes an investment in a limited partnership that invests in instruments related to any level of an issuer's capital structure (including bank debt, corporate bonds, trade claims, convertible securities, equities, credit default swaps, options and other derivatives, as well as the debt and equity of structured credit products). The fair value of the investment in this category has been estimated using the net asset value per share. There are no lock-up redemption restrictions on this investment at December 31, 2016.

(e) – This category includes an investment in a limited partnership that invests primarily in a portfolio of Japanese equity securities that are believed to possess fundamental value. The fair value of the investment in this category has been estimated using the net asset value per share. There are no lock-up redemption restrictions on this investment at December 31, 2016.

(f) – This category includes an investment in a limited partnership that invests in a diversified portfolio of small and mid capitalization equity securities of companies located in emerging markets. The fair value of the investment in this category has been estimated using the net asset value per share. There are no lock-up redemption restrictions on this investment at December 31, 2016.

(5) BENEFICIAL INTEREST IN FEDERAL TRUST FUND

EF is the income beneficiary of a federal trust fund established by Congress pursuant to the Eisenhower Exchange Fellowship Act of 1990, as amended by House Bill H.R. 3019 enacted in March 1996. The income from the trust fund is restricted to fellowship programs and withdrawal of the earnings is subject to an annual Congressional appropriation.

EISENHOWER FELLOWSHIPS

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

(6) CHANGE IN VALUE OF INVESTMENTS

Change in value of investments was comprised of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends, net	\$ 415,143	\$ 784,450
Distributions from federal trust fund	146,350	238,000
Net realized gain (loss)	(1,020,732)	368,631
Net unrealized gain (loss)	3,031,407	(2,574,624)
Change in value of beneficial interest in federal trust fund	<u>(16,016)</u>	<u>(159,974)</u>
	<u>\$ 2,556,152</u>	<u>\$ (1,343,517)</u>

(7) PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 723,608	\$ 723,608
Building and improvements	2,425,810	2,437,927
Office equipment	366,394	362,747
Furniture and fixtures	<u>216,738</u>	<u>159,859</u>
	3,732,550	3,684,141
Less accumulated depreciation	<u>(1,196,569)</u>	<u>(1,109,146)</u>
	<u>\$ 2,535,981</u>	<u>\$ 2,574,995</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$108,061 and \$128,010, respectively.

(8) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets (of which \$35,000 in 2016 and \$150,000 in 2015 is held in cash) are available for the following purpose and periods:

	<u>Balance December 31, 2015</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance December 31, 2016</u>
Purpose restriction				
Programs	\$ -	\$100,000	\$ (65,000)	\$ 35,000
Time restrictions				
Contributions and grants for future periods	<u>185,000</u>	<u>307,000</u>	<u>(185,000)</u>	<u>307,000</u>
	<u>\$185,000</u>	<u>\$407,000</u>	<u>\$ (250,000)</u>	<u>\$342,000</u>
	<u>Balance December 31, 2014</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance December 31, 2015</u>
Time restrictions				
Contributions and grants for future periods	<u>\$310,800</u>	<u>\$101,700</u>	<u>\$ (227,500)</u>	<u>\$185,000</u>

EISENHOWER FELLOWSHIPS

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

(9) PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Beneficial interest in federal trust fund	\$ 7,929,434	\$ 7,945,450
Endowment	<u>4,259,239</u>	<u>4,259,239</u>
	<u>\$12,188,673</u>	<u>\$12,204,689</u>

Donors of the endowment require EF to retain permanently the historic-dollar-value of the endowment. Income from the endowment and the beneficial interest in federal trust fund is restricted for fellowship programs.

(10) ENDOWMENT FUND

An accounting standard was issued which provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("**UPMIFA**"). EF is not subject to this guidance since Pennsylvania has not enacted a version of UPMIFA. The standard also required additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

In accordance with Pennsylvania statutes, EF has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of these endowment assets over the long-term. EF's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

In 2005, Eisenhower Fellowship's Board approved a spending rule for purposes of controlling annual withdrawals from the Endowment to support operations. The current policy permits a maximum 4.5% draw, based on the value of the endowment principal over the twelve quarters preceding the beginning of the fiscal year. This 4.5% distribution is not to be exceeded on average over any given three year period.

Changes in the endowment assets for the years ended December 31, 2015 and 2016 are as follows:

	<u>(Board- Designated) Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
<u>2015</u>			
Endowment assets, beginning of year	\$31,386,507	\$11,614,663	\$43,001,170
Contributions	-	250,000	250,000
Change in value of investments	(1,421,543)	(159,974)	(1,581,517)
Spending policy distribution	(1,905,230)	-	(1,905,230)
Other additions	<u>397,469</u>	<u>-</u>	<u>397,469</u>
Endowment assets, end of year	<u>\$28,457,203</u>	<u>\$11,704,689</u>	<u>\$40,161,892</u>
<u>2016</u>			
Endowment assets, beginning of year	\$28,457,203	\$11,704,689	\$40,161,892
Contributions	-	250,000	250,000
Change in value of investments	2,425,818	(16,016)	2,409,802
Spending policy distribution	(2,026,919)	-	(2,026,919)
Other subtractions	<u>(81,587)</u>	<u>-</u>	<u>(81,587)</u>
Endowment assets, end of year	<u>\$28,774,515</u>	<u>\$11,938,673</u>	<u>\$40,713,188</u>

EISENHOWER FELLOWSHIPS

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

(11) RETIREMENT PLAN

EF sponsors an employee retirement plan (the "*Plan*") qualified under Section 403(b) of the Internal Revenue Code covering substantially all employees. The Plan provides for employer contributions equal to 3% of employees' compensation. Employer contributions were \$55,310 for 2016 and \$61,777 for 2015.

(12) ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

The following is a summary of assets measured at fair value on a recurring basis and the valuation inputs used to value them:

<u>December 31, 2016</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Contributions and grants receivable, net	\$ 992,802	\$ -	\$ 992,802	\$ -
Investments				
Money market funds	56,498	56,498	-	-
Mutual funds –				
Equity	14,782,927	14,782,927	-	-
Exchange traded funds – Equity	2,167,329	2,167,329	-	-
Equity securities	2,357,033	2,357,033	-	-
Limited partnerships (a)	<u>13,419,967</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	32,783,754	19,363,787	992,802	-
Beneficial interest in federal trust fund	<u>7,929,434</u>	<u>-</u>	<u>7,929,434</u>	<u>-</u>
	<u>\$41,705,990</u>	<u>\$19,363,787</u>	<u>\$8,922,236</u>	<u>\$ -</u>
<u>December 31, 2015</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Contributions and grants receivable, net	\$ 1,047,275	\$ -	\$1,047,275	\$ -
Investments				
Money market funds	446,254	446,254	-	-
Mutual funds –				
Equity	14,857,859	14,857,859	-	-
Exchange traded funds – Equity	2,462,744	2,462,744	-	-
Equity securities	2,115,657	2,115,657	-	-
Limited partnerships (a)	<u>12,333,928</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	32,216,442	19,882,514	1,047,275	-
Beneficial interest in federal trust fund	<u>7,945,450</u>	<u>-</u>	<u>7,945,450</u>	<u>-</u>
	<u>\$41,209,167</u>	<u>\$19,882,514</u>	<u>\$8,992,725</u>	<u>\$ -</u>

(a) Certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. These investments have been included in the table to permit reconciliation of the amounts presented in the statements of financial position.

EISENHOWER FELLOWSHIPS

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

(13) SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 2, 2017, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2016 that require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

EISENHOWER FELLOWSHIPS

SCHEDULES OF EXPENSES

Years ended December 31, 2016 and 2015

	2016									
	Program Services					Supporting Services				
	<u>Global Program</u>	<u>Africa Program</u>	<u>U.S.A. Program</u>	<u>Global Fellows Network</u>	<u>Zhi-Xing China Program</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Development</u>	<u>Total Supporting Services</u>	<u>Total</u>
Program costs	\$ 649,367	\$ 694,601	\$ 351,427	\$ 171,753	\$ 85,865	\$ 1,953,013	\$ -	\$ -	\$ -	\$ 1,953,013
Personnel	414,800	480,237	221,047	679,644	76,003	1,871,731	363,213	374,132	737,345	2,609,076
Professional services	19,581	20,934	9,230	73,744	3,598	127,087	43,038	11,370	54,408	181,495
Building and maintenance	31,237	32,337	14,442	47,089	6,021	131,126	60,057	-	60,057	191,183
Administration	19,207	19,883	9,660	29,172	3,701	81,623	27,797	27,511	55,308	136,931
Other	-	-	-	-	-	-	37,326	55,273	92,599	92,599
	<u>\$ 1,134,192</u>	<u>\$ 1,247,992</u>	<u>\$ 605,806</u>	<u>\$ 1,001,402</u>	<u>\$ 175,188</u>	<u>\$ 4,164,580</u>	<u>\$ 531,431</u>	<u>\$ 468,286</u>	<u>\$ 999,717</u>	<u>\$ 5,164,297</u>
	2015									
	Program Services					Supporting Services				
	<u>Global Program</u>	<u>Women's Leadership Program</u>	<u>U.S.A. Program</u>	<u>Global Fellows Network</u>	<u>Zhi-Xing China Program</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Development</u>	<u>Total Supporting Services</u>	<u>Total</u>
Program costs	\$ 648,728	\$ 666,835	\$ 252,596	\$ 371,461	\$ 107,229	\$ 2,046,849	\$ -	\$ -	\$ -	\$ 2,046,849
Personnel	366,083	477,208	169,389	561,763	91,562	1,666,005	347,159	381,841	729,000	2,395,005
Professional services	20,534	29,881	10,258	96,522	4,237	161,432	32,407	38,286	70,693	232,125
Building and maintenance	35,273	45,752	14,532	52,474	6,692	154,723	54,640	-	54,640	209,363
Administration	18,716	24,835	7,670	29,428	3,532	84,181	21,315	29,991	51,306	135,487
Other	-	-	-	-	-	-	21,688	58,395	80,083	80,083
	<u>\$ 1,089,334</u>	<u>\$ 1,244,511</u>	<u>\$ 454,445</u>	<u>\$ 1,111,648</u>	<u>\$ 213,252</u>	<u>\$ 4,113,190</u>	<u>\$ 477,209</u>	<u>\$ 508,513</u>	<u>\$ 985,722</u>	<u>\$ 5,098,912</u>