

Eisenhower Fellowships

Financial Statements
Years Ended December 31, 2019 and 2018



1835 Market Street, 3rd Floor
Philadelphia, PA 19103

215/567-7770 | bbdcpa.com

EISENHOWER FELLOWSHIPS

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
------------------------------	---

FINANCIAL STATEMENTS

<i>Statements of Financial Position</i>	2
---	---

<i>Statements of Activities</i>	3
---------------------------------	---

<i>Statements of Functional Expenses</i>	5
--	---

<i>Statements of Cash Flows</i>	7
---------------------------------	---

<i>Notes to Financial Statements</i>	8
--------------------------------------	---



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, 2019 and 2018, and the related statements of activities, functional expenses, 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, 2019 and 2018, 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.

BBD, LLP.

**Philadelphia, Pennsylvania
October 1, 2020**

EISENHOWER FELLOWSHIPS

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 749,961	\$ 1,138,618
Contributions and grants receivable, net	3,566,641	2,088,147
Prepaid expenses and other	134,601	138,419
Investments	39,964,656	34,397,891
Property and equipment, net	2,485,575	2,563,474
Beneficial interest in federal trust fund	<u>7,925,339</u>	<u>7,818,524</u>
Total assets	<u>\$ 54,826,773</u>	<u>\$ 48,145,073</u>
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 140,118</u>	<u>\$ 298,748</u>
NET ASSETS		
Without donor restrictions		
Operating	700,000	700,000
Board designated	<u>38,667,997</u>	<u>33,308,470</u>
	39,367,997	34,008,470
With donor restrictions	<u>15,318,658</u>	<u>13,837,855</u>
Total net assets	<u>54,686,655</u>	<u>47,846,325</u>
Total liabilities and net assets	<u>\$ 54,826,773</u>	<u>\$ 48,145,073</u>

See accompanying notes

EISENHOWER FELLOWSHIPS

STATEMENT OF ACTIVITIES

Year ended December 31, 2019 with comparative totals for 2018

	Without Donor Restrictions			With Donor Restrictions	Totals	
	Operating	Board Designated	Total		2019	2018
REVENUE						
Contributions and grants	\$ 3,405,384	\$ 660,000	\$ 4,065,384	\$ 2,012,439	\$ 6,077,823	\$ 5,592,093
Net assets released from restrictions	315,945	322,506	638,451	(638,451)	-	-
Spendable draw from endowment earnings	1,938,350	(1,938,350)	-	-	-	-
Total revenue	<u>5,659,679</u>	<u>(955,844)</u>	<u>4,703,835</u>	<u>1,373,988</u>	<u>6,077,823</u>	<u>5,592,093</u>
EXPENSES						
Program services						
Global programs	3,710,401	-	3,710,401	-	3,710,401	3,493,014
Global Fellows Network	1,342,256	-	1,342,256	-	1,342,256	1,116,232
Supporting services						
Management and general	710,480	-	710,480	-	710,480	579,033
Development	323,134	-	323,134	-	323,134	417,606
Total expenses	<u>6,086,271</u>	<u>-</u>	<u>6,086,271</u>	<u>-</u>	<u>6,086,271</u>	<u>5,605,885</u>
Change in net assets before other changes	<u>(426,592)</u>	<u>(955,844)</u>	<u>(1,382,436)</u>	<u>1,373,988</u>	<u>(8,448)</u>	<u>(13,792)</u>
OTHER CHANGES						
Change in value of investments <i>(Note 6)</i>	-	6,741,963	6,741,963	106,815	6,848,778	(3,090,236)
Transfer of funds by Board to operating reserve	426,592	(426,592)	-	-	-	-
Total other changes	<u>426,592</u>	<u>6,315,371</u>	<u>6,741,963</u>	<u>106,815</u>	<u>6,848,778</u>	<u>(3,090,236)</u>
CHANGE IN NET ASSETS	<u>-</u>	<u>5,359,527</u>	<u>5,359,527</u>	<u>1,480,803</u>	<u>6,840,330</u>	<u>(3,104,028)</u>
NET ASSETS						
Beginning of year	700,000	33,308,470	34,008,470	13,837,855	47,846,325	50,950,353
End of year	<u>\$ 700,000</u>	<u>\$ 38,667,997</u>	<u>\$ 39,367,997</u>	<u>\$ 15,318,658</u>	<u>\$ 54,686,655</u>	<u>\$ 47,846,325</u>

See accompanying notes

EISENHOWER FELLOWSHIPS

STATEMENT OF ACTIVITIES

Year ended December 31, 2018

	<u>Without Donor Restrictions</u>			<u>With Donor Restrictions</u>	<u>Total</u>
	<u>Operating</u>	<u>Board Designated</u>	<u>Total</u>		
REVENUE					
Contributions and grants	\$ 3,663,213	\$ 485,435	\$ 4,148,648	\$ 1,443,445	\$ 5,592,093
Net assets released from restrictions	80,000	772,490	852,490	(852,490)	-
Spendable draw from endowment earnings	<u>1,882,532</u>	<u>(1,882,532)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>5,625,745</u>	<u>(624,607)</u>	<u>5,001,138</u>	<u>590,955</u>	<u>5,592,093</u>
EXPENSES					
Program services					
Global programs	3,493,014	-	3,493,014	-	3,493,014
Global Fellows Network	1,116,232	-	1,116,232	-	1,116,232
Supporting services					
Management and general	579,033	-	579,033	-	579,033
Development	<u>417,606</u>	<u>-</u>	<u>417,606</u>	<u>-</u>	<u>417,606</u>
Total expenses	<u>5,605,885</u>	<u>-</u>	<u>5,605,885</u>	<u>-</u>	<u>5,605,885</u>
Change in net assets before other changes	<u>19,860</u>	<u>(624,607)</u>	<u>(604,747)</u>	<u>590,955</u>	<u>(13,792)</u>
OTHER CHANGES					
Change in value of investments <i>(Note 6)</i>	-	(3,056,095)	(3,056,095)	(34,141)	(3,090,236)
Transfer of funds by Board to operating reserve	<u>(19,860)</u>	<u>19,860</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other changes	<u>(19,860)</u>	<u>(3,036,235)</u>	<u>(3,056,095)</u>	<u>(34,141)</u>	<u>(3,090,236)</u>
CHANGE IN NET ASSETS	-	(3,660,842)	(3,660,842)	556,814	(3,104,028)
NET ASSETS					
Beginning of year	<u>700,000</u>	<u>36,969,312</u>	<u>37,669,312</u>	<u>13,281,041</u>	<u>50,950,353</u>
End of year	<u>\$ 700,000</u>	<u>\$ 33,308,470</u>	<u>\$ 34,008,470</u>	<u>\$ 13,837,855</u>	<u>\$ 47,846,325</u>

See accompanying notes

EISENHOWER FELLOWSHIPS

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2019 with comparative totals for 2018

	Program Services						Supporting Services				Totals	
	Global Program	Latin American and Caribbean Program	U.S.A. Program	Zhi-Xing China Program	Island of Ireland Program	Global Fellows Network	Total Program Services	Management and General	Development	Total Supporting Services	2019	2018
Salaries and benefits	\$ 421,079	\$ 512,155	\$ 260,199	\$ 102,669	\$ 134,025	\$ 766,096	\$ 2,196,223	\$ 486,541	\$ 152,320	\$ 638,861	\$ 2,835,084	\$ 2,812,978
Conferences and meetings	182,609	136,248	54,925	43,393	115,683	269,708	802,566	24,129	21,657	45,786	848,352	789,593
Depreciation	20,913	21,340	10,508	2,806	6,523	32,247	94,337	67,431	-	67,431	161,768	148,307
Fellowship costs												
Per diem	251,236	263,981	121,682	23,817	140,392	-	801,108	-	-	-	801,108	722,013
Travel	149,218	160,195	100,407	23,111	94,241	8,291	535,463	-	-	-	535,463	466,799
Information technology	14,443	14,738	7,257	1,938	4,505	22,424	65,305	29,226	-	29,226	94,531	40,072
Insurance	5,143	5,248	2,584	690	1,604	7,931	23,200	14,609	-	14,609	37,809	35,449
Occupancy	5,900	6,021	2,965	792	1,840	9,097	26,615	24,902	-	24,902	51,517	44,977
Office expenses	21,667	25,060	8,418	2,232	5,721	33,588	96,686	33,051	21,215	54,266	150,952	142,432
Professional fees	11,928	9,275	99,191	4,253	3,144	75,752	203,543	25,985	88,840	114,825	318,368	201,219
Travel	25,041	22,483	10,851	15,491	16,623	117,122	207,611	4,606	39,102	43,708	251,319	202,046
Total expenses	\$ 1,109,177	\$ 1,176,744	\$ 678,987	\$ 221,192	\$ 524,301	\$ 1,342,256	\$ 5,052,657	\$ 710,480	\$ 323,134	\$ 1,033,614	\$ 6,086,271	\$ 5,605,885

Notes:

Percentage of total expenses	18%	19%	11%	4%	9%	22%	83%	12%	5%	17%	100%
Program statistics											
Number of fellows by program	22	23	11	8	14						
Average cost per fellow	\$ 50,417	\$ 51,163	\$ 61,726	\$ 27,649	\$ 37,450						

See accompanying notes

EISENHOWER FELLOWSHIPS

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2018

	Program Services						Supporting Services				Total
	Global Program	Innovation Program	U.S.A. Program	Zhi-Xing China Program	Saudi Arabia Program	Global Fellows Network	Total Program Services	Management and General	Development	Total Supporting Services	
Salaries and benefits	\$ 477,947	\$ 387,667	\$ 256,992	\$ 65,808	\$ 180,863	\$ 696,454	\$ 2,065,731	\$ 406,440	\$ 340,807	\$ 747,247	\$ 2,812,978
Conferences and meetings	265,632	137,189	71,605	50,186	36,961	169,664	731,237	23,241	35,115	58,356	789,593
Depreciation	25,381	20,149	12,776	2,713	9,818	28,660	99,497	48,810	-	48,810	148,307
Fellowship costs											
Per diem	267,726	247,585	109,593	27,837	57,637	11,635	722,013	-	-	-	722,013
Travel	157,494	116,483	74,590	34,046	47,396	36,790	466,799	-	-	-	466,799
Information technology	7,443	5,909	3,745	796	2,879	8,404	29,176	10,896	-	10,896	40,072
Insurance	5,852	4,646	2,946	626	2,264	6,608	22,942	12,507	-	12,507	35,449
Occupancy	5,918	4,697	2,978	632	2,289	6,682	23,196	21,781	-	21,781	44,977
Office expenses	24,233	19,796	10,499	2,224	8,046	29,013	93,811	30,966	17,655	48,621	142,432
Professional fees	15,919	14,636	92,851	2,826	6,524	38,750	171,506	22,263	7,450	29,713	201,219
Travel	53,967	17,478	10,882	2,423	15,016	83,572	183,338	2,129	16,579	18,708	202,046
⊕ Total expenses	\$ 1,307,512	\$ 976,235	\$ 649,457	\$ 190,117	\$ 369,693	\$ 1,116,232	\$ 4,609,246	\$ 579,033	\$ 417,606	\$ 996,639	\$ 5,605,885
Notes:											
Percentage of total expenses	23%	17%	12%	3%	7%	20%	82%	10%	8%	18%	100%
Program statistics											
Number of fellows by program	24	21	11	9	10						
Average cost per fellow	\$ 54,480	\$ 46,487	\$ 59,042	\$ 21,124	\$ 36,969						

See accompanying notes

EISENHOWER FELLOWSHIPS

STATEMENTS OF CASH FLOWS

Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 6,840,330	\$ (3,104,028)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation expense	161,768	148,307
Discount on contributions and grants receivable	50,000	82,500
Net realized and unrealized (gain) loss on investments	(6,503,034)	3,542,058
Change in value of beneficial interest in federal trust fund	(106,815)	34,141
(Increase) decrease in		
Contributions and grants receivable, net	(1,528,494)	(636,031)
Prepaid expenses and other	3,818	(16,778)
Increase (decrease) in		
Accounts payable and accrued expenses	<u>(158,630)</u>	<u>89,259</u>
Net cash provided by (used for) operating activities	<u>(1,241,057)</u>	<u>139,428</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(8,730,692)	(13,860,777)
Proceeds from sale of investments	9,666,961	13,908,239
Purchase of property and equipment	<u>(83,869)</u>	<u>(137,138)</u>
Net cash provided by (used for) investing activities	<u>852,400</u>	<u>(89,676)</u>
Net change in cash	(388,657)	49,752
CASH		
Beginning of year	<u>1,138,618</u>	<u>1,088,866</u>
End of year	<u>\$ 749,961</u>	<u>\$ 1,138,618</u>

See accompanying notes

EISENHOWER FELLOWSHIPS

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

(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 2016, 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 classes of net assets:

Without donor restrictions

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

With donor restrictions

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets to be maintained indefinitely while permitting EF to expend the income generated in accordance with the provisions of the contribution.

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, 2019 and 2018

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 statement 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 statement of activities. Investment income is recorded as earned. Donor-restricted investment income whose restrictions are satisfied in the same period is classified as net assets without donor restrictions.

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 as an estimate of the present value of future cash flows from the trust fund.

Contributions and Grants

Contributions and grants received are recorded as net assets without donor restrictions or with donor restrictions 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 net assets without donor restrictions.

EISENHOWER FELLOWSHIPS

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

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.

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 and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated. Significant expenses that are allocated include salaries and benefits which are allocated based on estimates of time and effort.

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.

Accounting Pronouncements Adopted

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU clarifies and improves the scope and accounting guidance for contributions received and made and assists the entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance, and in determining whether a contribution is conditional. EF adopted ASU 2018-18 on January 1, 2019. EF's revenue recognition policies are detailed within Note 2.

(3) CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable are expected to be collected as follows:

	<u>2019</u>	<u>2018</u>
Less than one year	\$1,355,000	\$ 836,572
One to five years	<u>2,411,641</u>	<u>1,401,575</u>
Total receivables	3,766,641	2,238,147
Less discount to net present value (3.5%)	<u>(200,000)</u>	<u>(150,000)</u>
Net receivables	<u>\$3,566,641</u>	<u>\$2,088,147</u>

EISENHOWER FELLOWSHIPS

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

(4) INVESTMENTS

Investments at December 31, 2019 and 2018 consisted of the following:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 2,274,358	\$ 2,274,358	\$ 1,121,119	\$ 1,121,119
Mutual funds				
Equity	13,858,195	15,779,380	13,978,192	13,834,881
Fixed income	1,256,068	1,297,572	1,220,297	1,193,565
Common stocks	2,511,650	3,226,097	2,622,456	2,529,466
Limited partnerships	14,104,320	17,387,249	14,557,386	15,718,860
	<u>\$34,004,591</u>	<u>\$39,964,656</u>	<u>\$33,499,450</u>	<u>\$34,397,891</u>

Limited partnerships consisted of the following at December 31, 2019:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity long/short funds (a)	\$ 5,786,958	None	End of Month	10 - 90 days
Fixed income funds (b)	1,847,975	None	End of Month	10 - 30 days
Blended fund (c)	1,427,034	None	End of Month	65 - 90 days
International equities funds (d)	6,085,234	None	End of Month	6 - 90 days
Emerging markets equities fund (e)	2,240,048	None	Daily	10 business days
	<u>\$17,387,249</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, 2019.

(b) – 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 at December 31, 2019. The fair values of the investments in this category have been estimated using the net asset value per share.

(c) – 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, 2019.

(d) – This category includes investments in limited partnerships that invest primarily in portfolios of international equity securities. The fair value of the investments in this category has been estimated using the net asset value per share. There is a lock-up redemption restriction on one of the limited partnerships at December 31, 2019. The lock-up redemption restriction for the limited partnership expires in June 2021 and has a net asset value of \$1,454,045 at December 31, 2019.

(e) – 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, 2019.

EISENHOWER FELLOWSHIPS

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

(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.

(6) CHANGE IN VALUE OF INVESTMENTS

Change in value of investments was comprised of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends, net	\$ 87,329	\$ 314,208
Distributions from federal trust fund	151,600	171,755
Net realized gain	1,441,410	1,437,519
Net unrealized gain (loss)	5,061,624	(4,979,577)
Change in value of beneficial interest in federal trust fund	<u>106,815</u>	<u>(34,141)</u>
	<u>\$6,848,778</u>	<u>\$(3,090,236)</u>

(7) PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 723,608	\$ 723,608
Building and improvements	2,411,933	2,363,452
Office equipment	508,476	473,088
Furniture and fixtures	<u>216,738</u>	<u>216,738</u>
	3,860,755	3,776,886
Less accumulated depreciation	<u>(1,375,180)</u>	<u>(1,213,412)</u>
	<u>\$ 2,485,575</u>	<u>\$ 2,563,474</u>

(8) NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATED

Board designated net assets consist of the following:

	<u>2019</u>	<u>2018</u>
Endowment fund	\$36,182,422	\$30,744,996
Property and equipment	<u>2,485,575</u>	<u>2,563,474</u>
	<u>\$38,667,997</u>	<u>\$33,308,470</u>

The board-designated endowment fund is to provide income to support EF's operations.

EISENHOWER FELLOWSHIPS

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

(9) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes and periods:

	<u>Balance December 31, 2018</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance December 31, 2019</u>
Subject to expenditure for specified purposes or periods				
Global programs	\$ 275,945	\$ 62,439	\$(275,945)	\$ 62,439
Future periods	<u>1,484,147</u>	<u>1,950,000</u>	<u>(362,506)</u>	<u>3,071,641</u>
	<u>1,760,092</u>	<u>2,012,439</u>	<u>(638,451)</u>	<u>3,134,080</u>
Net assets to be maintained indefinitely				
Beneficial interest in federal trust, whose income is restricted for fellowship programs	7,818,524	106,815	-	7,925,339
Endowment, whose income is restricted for fellowship programs	<u>4,259,239</u>	<u>-</u>	<u>-</u>	<u>4,259,239</u>
	<u>12,077,763</u>	<u>106,815</u>	<u>-</u>	<u>12,184,578</u>
	<u>\$13,837,855</u>	<u>\$2,119,254</u>	<u>\$(638,451)</u>	<u>\$15,318,658</u>
	<u>Balance December 31, 2017</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance December 31, 2018</u>
Subject to expenditure for specified purposes or periods				
Global programs	\$ 25,000	\$ 275,945	\$ (25,000)	\$ 275,945
Future periods	<u>1,144,137</u>	<u>1,167,500</u>	<u>(827,490)</u>	<u>1,484,147</u>
	<u>1,169,137</u>	<u>1,443,445</u>	<u>(852,490)</u>	<u>1,760,092</u>
Net assets to be maintained indefinitely				
Beneficial interest in federal trust, whose income is restricted for fellowship programs	7,852,665	(34,141)	-	7,818,524
Endowment, whose income is restricted for fellowship programs	<u>4,259,239</u>	<u>-</u>	<u>-</u>	<u>4,259,239</u>
	<u>12,111,904</u>	<u>(34,141)</u>	<u>-</u>	<u>12,077,763</u>
	<u>\$13,281,041</u>	<u>\$1,409,304</u>	<u>\$(852,490)</u>	<u>\$13,837,855</u>

Donors of the endowment require EF to retain permanently the historic-dollar-value of the endowment.

(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.

EISENHOWER FELLOWSHIPS

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

In 2005, Eisenhower Fellowship's Board approved a spending policy 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, without the explicit consent of the Executive Committee.

Changes in the endowment assets for the years ended December 31, 2019 and 2018 are as follows:

<u>2018</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment assets, beginning of year	\$34,394,669	\$12,111,904	\$46,506,573
Contributions	1,257,925	-	1,257,925
Change in value of investments	(3,056,095)	(34,141)	(3,090,236)
Spending policy distribution	(1,882,532)	-	(1,882,532)
Transfers	31,029	-	31,029
Endowment assets, end of year	<u>\$30,744,996</u>	<u>\$12,077,763</u>	<u>\$42,822,759</u>
<u>2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment assets, beginning of year	\$30,744,996	\$12,077,763	\$42,822,759
Contributions	982,506	-	982,506
Change in value of investments	6,741,963	106,815	6,848,778
Spending policy distribution	(1,938,350)	-	(1,938,350)
Transfers	(348,693)	-	(348,693)
Endowment assets, end of year	<u>\$36,182,422</u>	<u>\$12,184,578</u>	<u>\$48,367,000</u>

(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 5% of employees' compensation. Employer contributions were \$87,179 for 2019 and \$60,465 for 2018.

(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, 2019</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	\$ 3,566,641	\$ -	\$ 3,566,641	\$ -
Investments				
Money market funds	2,274,358	2,274,358	-	-
Mutual funds				
Equity	15,779,380	15,779,380	-	-
Fixed income	1,297,572	1,297,572	-	-
Common stocks	3,226,097	3,226,097	-	-
Limited partnerships (a)	<u>17,387,249</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total investments	39,964,656	22,577,407	-	-
Beneficial interest in federal trust fund	<u>7,925,339</u>	<u>-</u>	<u>7,925,339</u>	<u>-</u>
	<u>\$51,456,636</u>	<u>\$22,577,507</u>	<u>\$11,491,980</u>	<u>\$ -</u>

EISENHOWER FELLOWSHIPS

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

<u>December 31, 2018</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	\$ 2,088,147	\$ -	\$2,088,147	\$ -
Investments				
Money market funds	1,121,119	1,121,119	-	-
Mutual funds				
Equity	13,834,881	13,834,881	-	-
Fixed income	1,193,565	1,193,565	-	-
Common stocks	2,529,466	2,529,466	-	-
Limited partnerships (a)	<u>15,718,860</u>	N/A	N/A	N/A
Total investments	34,397,891	18,679,031	-	-
Beneficial interest in federal trust fund	<u>7,818,524</u>	-	<u>7,818,524</u>	-
	<u>\$44,304,562</u>	<u>\$18,679,031</u>	<u>\$9,906,671</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.

(13) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects EF's financial assets as of the statements of financial position date, which has been reduced by financial assets not available within one year.

	<u>2019</u>	<u>2018</u>
Cash	\$ 749,961	\$ 1,138,618
Contributions and grants receivable, net	3,566,641	2,088,147
Investments	<u>39,964,656</u>	<u>34,397,891</u>
Total financial assets	44,281,258	37,624,656
Less: financial assets not available for general operations within one year		
Restricted by donor for specific purposes or periods	(3,094,080)	(1,720,092)
Restricted by donor to be maintained indefinitely	(4,259,239)	(4,259,239)
Board-designated endowment fund	<u>(36,182,422)</u>	<u>(30,744,996)</u>
Total financial assets available within one year	<u>\$ 745,517</u>	<u>\$ 900,329</u>

Liquidity Management

EF regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. EF has various sources of liquidity at its disposal, including cash, money market funds and marketable debt and equity securities.

(14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 1, 2020, the date on which the financial statements were available to be issued. The extent of the impact of COVID-19 on EF's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, all of which cannot be predicted at this time. No other material subsequent events have occurred since December 31, 2019 that require recognition or disclosure in the financial statements.