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

FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

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Independent Auditors' Report

Board of Directors
Harry S. Truman Library Institute
For National and International Affairs
Independence, Missouri

We have audited the accompanying modified cash basis statement of cash, investments and net assets of the Harry S. Truman Library Institute For National and International Affairs (the Institute) as of September 30, 2012, and the related statements of support and revenue, expenses and changes in net assets and functional expenses for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Institute's 2011 financial statements, and in our report dated February 15, 2012, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash, investments and net assets of the Institute as of September 30, 2012, and the changes in its net assets for the year then ended in conformity with the basis of accounting as described in Note 1.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended September 30, 2011 from which the summarized information was derived.

The information marked "unaudited" on Pages 4 and 5 is not a required part of the basic financial statements, and we did not audit, and therefore, do not express an opinion on such information.

RubinBrown LLP

January 30, 2013

Harry S. Truman Library Institute
Transactions by Account
As of September 30, 2011

Type	Date	Num	Name	Memo	Cir	Split	Paid Amount	Balance
Kauffman Foundation Legacy Gift								
General Journal	5/31/2011			CASH TRAN...	X	-SPLIT-	1,000,000	1,000,000
General Journal	5/31/2011			CASH TRAN...	X	Kauffman Foundation Legacy Gift	0	1,000,000
General Journal	6/30/2011				X	-SPLIT-	3,325	1,003,326
General Journal	6/30/2011				X	Kauffman Foundation Legacy Gift	(938)	1,002,387
General Journal	6/30/2011				X	Kauffman Foundation Legacy Gift	(11,759)	990,629
General Journal	7/31/2011				X	-SPLIT-	22,275	1,012,904
General Journal	8/31/2011				X	-SPLIT-	3,657	1,016,561
General Journal	8/31/2011				X	Kauffman Foundation Legacy Gift	(980)	1,015,581
General Journal	8/31/2011				X	Kauffman Foundation Legacy Gift	(36)	1,015,545
Check	9/23/2011	1	TRANSFER		X	Main Account CBKC	(160,000)	855,545
General Journal	9/30/2011				X	-SPLIT-	7,062	862,607
General Journal	9/30/2011				X	Kauffman Foundation Legacy Gift	(965)	861,642
General Journal	9/30/2011				X	Kauffman Foundation Legacy Gift	(6,716)	854,926
Total Kauffman Foundation Legacy Gift							854,926	854,926
TOTAL							854,926	854,926

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

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

	September 30,	
	2012	2011
Cash	\$ 87,078	\$ 42,017
Investments	9,960,373	9,101,738
Total Cash And Investments	\$ 10,047,451	\$ 9,143,755
Net Assets		
Unrestricted		
Board designated		
Endowment fund	\$ 1,342,702	\$ 1,158,848
Preventative maintenance fund	454,790	354,511
Undesignated	2,987,798	2,564,148
	4,785,290	4,077,507
Temporarily restricted	1,809,013	1,613,100
Permanently restricted	3,453,148	3,453,148
Total Net Assets	\$ 10,047,451	\$ 9,143,755

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

**STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND CHANGES IN NET ASSETS
(MODIFIED CASH BASIS)**

For The Year Ended September 30, 2012
(With Summarized Financial Information For The Year Ended September 30, 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012	Budget 2012 (Unaudited)	Comparative Totals For 2011
Support And Revenues						
Interest and dividends	\$ 120,817	\$ 101,373	\$ —	222,190	\$ 221,000	\$ 213,585
Contributions and grants	4,695	321,865	—	326,560	352,500	1,433,747
Annual memberships	252,925	—	—	252,925	250,000	241,638
Special event income, net of related expenses - \$100,974	228,198	—	—	228,198	213,900	263,428
White House Decision Center revenues	—	68,487	—	68,487	65,000	65,129
Other revenue	4,631	18,175	—	22,806	13,000	19,850
Net assets released from restrictions	611,266	509,900	—	1,121,166	1,115,400	2,237,377
	861,016	(861,016)	—	—	—	—
Total Support And Revenues	1,472,282	(351,116)	—	1,121,166	1,115,400	2,237,377
Expenses						
Program expenses	978,468	—	—	978,468	950,930	715,948
Management and general	224,122	—	—	224,122	210,500	220,461
Fundraising	203,975	—	—	203,975	373,000	222,329
Total Expenses	1,406,565	—	—	1,406,565	1,534,430	1,158,738
Support And Revenues Over (Under) Expenses	65,717	(351,116)	—	(285,399)	\$ (419,030)	1,078,639
Net unrealized gains (losses) on investments	505,818	408,585	—	914,403		(449,625)
Net realized gains on investments	136,248	138,444	—	274,692		237,774
Increase In Net Assets	707,783	195,913	—	903,696		866,788
Net Assets - Beginning Of Year	4,077,507	1,613,100	3,453,148	9,143,755		8,276,967
Net Assets - End Of Year	\$ 4,785,290	\$ 1,809,013	\$ 3,453,148	\$ 10,047,451		\$ 9,143,755

See the accompanying notes to financial statements.

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

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

**For The Year Ended September 30, 2012
(With Summarized Financial Information For The Year Ended September 30, 2011)**

	Program Expenses	Management And General	Fundraising	Total 2012	Budget 2012 (Unaudited)	Comparative Totals For 2011
Grants and awards	\$ 162,880	\$ —	\$ —	\$ 162,880	\$ 172,000	\$ 91,388
Personnel	340,990	114,193	158,216	613,399	652,000	607,020
Volunteer/intern services	2,875	—	—	2,875	4,000	2,556
Office products and services	—	19,430	—	19,430	20,000	18,180
Fundraising products and services	—	—	36,643	36,643	47,000	32,885
Special events	—	—	100,974	100,974	101,100	74,384
Public programs	138,627	—	—	138,627	133,930	69,623
Meetings	—	12,670	—	12,670	15,000	15,056
Education	49,073	—	—	49,073	45,000	27,972
Summer Teacher Institute	33,091	—	—	33,091	30,000	21,255
Exhibits	109,637	—	—	109,637	111,500	62,752
Annual membership programs	—	—	9,116	9,116	15,000	16,900
Professional fees	—	76,728	—	76,728	81,000	76,847
Public relations and advertising	49,235	—	—	49,235	55,000	43,659
White House Decision Center	15,000	—	—	15,000	15,000	13,899
Whistle Stop Newsletter	14,045	—	—	14,045	22,000	13,363
Website design and hosting	43,051	—	—	43,051	93,000	43,000
Contingency/other	—	1,101	—	1,101	3,000	2,383
Preventative maintenance	19,964	—	—	19,964	20,000	—
Total expenses	978,468	224,122	304,949	1,507,539	1,635,530	1,233,122
Less special event expenses netted with special event income	—	—	100,974	100,974	101,100	74,384
Total Expenses, Net	\$ 978,468	\$ 224,122	\$ 203,975	\$ 1,406,565	\$ 1,534,430	\$ 1,158,738

See the accompanying notes to financial statements.

HARRY S. TRUMAN LIBRARY INSTITUTE FOR NATIONAL AND INTERNATIONAL AFFAIRS

NOTES TO FINANCIAL STATEMENTS

September 30, 2012 And 2011

1. Nature Of Organization

The Harry S. Truman Library Institute for National and International Affairs (the Institute), is a Missouri not-for-profit corporation whose purpose is to support and promote the Harry S. Truman Presidential Library in Independence, Missouri, as a major center for research and study. The Institute solicits public and private contributions to allocate among various programs and services. Programs and services supported by the Institute include grants for research study at the Truman Library, education programs and renovations to the Truman Library.

Basis Of Accounting

The Institute prepares its financial statements using the modified cash basis of accounting. Accordingly, the accompanying financial statements are not intended to present financial position or changes in net assets in accordance with accounting principles generally accepted in the United States of America.

Under the modified cash basis of accounting, revenues and the related assets are generally recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Thus, receivables, including pledges receivable, and payables are not recognized in the accompanying financial statements. Expenditures for property and equipment are expensed rather than capitalized and depreciated. Assets are reported at fair value on the statement of cash, investments and net assets with unrealized gains (losses) recorded as increases or decreases to the net assets of the Institute.

Estimates And Assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenue received and expenses paid during the reported period. Actual results could differ from those estimates.

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

Notes To Financial Statements (*Continued*)

Basis Of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board for Not-for Profit Organizations by presenting assets and liabilities within similar groups and classifying them in ways that provide relevant information about their interrelationships, liquidity, and financial flexibility. As a result, the Institute is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Temporarily And Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Institute has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Institute in perpetuity.

Board Designated Endowment

The Board of Directors has established a Board Designated Endowment Fund, which can only be used for specific purposes as determined by the Executive Committee or the Board of Directors.

Investments And Investment Return

Investments in securities having a readily determinable fair value are carried at fair value. Investment return includes dividend, interest and other investment income, including realized and unrealized gains and losses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as temporarily restricted and then released from restriction. Other investment return is reflected in the statement of support and revenue, expenses and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

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

Notes To Financial Statements (*Continued*)

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of support and revenue, expenses and changes in net assets as net assets released from restrictions.

In-kind Contributions

In addition to receiving cash contributions, the Institute received in-kind contributions of \$55,300 and \$22,406 for the years ended September 30, 2012 and 2011, respectively, from various donors. It is the policy of the Institute not to record the in-kind contributions on the financial statements.

Community Foundation Funds

The Institute has transferred assets to two Community Foundations (Funds). Under the Community Foundation agreements, the net income and principal from the Funds are to be distributed to the Institute and/or designated payees in support of charitable programs as requested by the Funds' Advisory Committees. However, the Community Foundations reserve the right to make the final decision regarding the distribution of income and principal from the Funds.

It is the policy of the Institute not to record its beneficial interest in the assets of the Funds. Instead, contributions to the Funds are recorded as program expenses in the period in which the contributions are made. During the years ended September 30, 2012 and 2011, there were no contributions to or distributions from the Funds. As of September 30, 2012 and 2011, the fair value of the assets contributed to the Community Foundations available for distributions in support of Institute programs was \$91,866 and \$78,530, respectively.

Income Taxes

The Institute is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Institute is subject to federal income tax on any unrelated business taxable income. The Institute's federal tax returns for tax years 2009 and later are subject to examination by taxing authorities.

HARRY S. TRUMAN LIBRARY INSTITUTE
FOR NATIONAL AND INTERNATIONAL AFFAIRS

Notes To Financial Statements (Continued)

Expenses Allocation

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of support and revenue, expenses and changes in net assets. Certain costs have been allocated among the program, management and general and fund raising categories based on management's estimates.

Subsequent Events

Management has evaluated subsequent events through January 30, 2013, the date which the financial statements were available for issue.

2. Investments And Investment Return

Investments

Investments at September 30 consisted of the following:

	<u>2012</u>	<u>2011</u>
Money market funds	\$ 427,729	\$ 716,533
Exchange traded funds	2,168,312	2,021,700
Mutual funds	7,214,313	6,363,505
Real estate funds	150,019	—
	<u>\$ 9,960,373</u>	<u>\$ 9,101,738</u>

Total investment return is comprised of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 222,190	\$ 213,585
Net unrealized gains (losses)	914,403	(449,625)
Net realized gains	274,692	237,774
	<u>\$ 1,411,285</u>	<u>\$ 1,734</u>

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

Notes To Financial Statements (*Continued*)

3. Fair Value Measurements

The Institute follows an established framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under these rules are described below:

- | | |
|---------|---|
| Level 1 | Quoted prices in active markets for identical assets or liabilities |
| Level 2 | Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities |
| Level 3 | Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities |

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at September 30, 2012 and 2011.

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

Notes To Financial Statements (*Continued*)

The following table sets forth by level, within the fair value hierarchy, the Institute's assets at fair value as of September 30, 2012:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 427,729	\$ —	\$ —	\$ 427,729
Domestic equity exchange traded funds	1,886,662	—	—	1,886,662
International equity exchange traded funds	281,650	—	—	281,650
Domestic equity mutual funds	2,423,890	—	—	2,423,890
International equity mutual funds	898,070	—	—	898,070
Fixed income mutual funds	2,783,722	—	—	2,783,722
Hedge strategy mutual fund	944,413	—	—	944,413
Commodities mutual fund	164,218	—	—	164,218
Real estate funds	150,019	—	—	150,019
	<u>\$ 9,960,373</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9,960,373</u>

The following table sets forth by level, within the fair value hierarchy, the Institute's assets at fair value as of September 30, 2011:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 716,533	\$ —	\$ —	\$ 716,533
Domestic equity exchange traded funds	1,685,279	—	—	1,685,279
International equity exchange traded funds	336,421	—	—	336,421
Domestic equity mutual funds	1,697,293	—	—	1,697,293
International equity mutual funds	600,141	—	—	600,141
Fixed income mutual funds	2,952,047	—	—	2,952,047
Hedge strategy mutual fund	880,972	—	—	880,972
Commodities mutual fund	233,052	—	—	233,052
	<u>\$ 9,101,738</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9,101,738</u>

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

Notes To Financial Statements (*Continued*)

4. Net Assets

Temporarily restricted net assets are available for the following purposes at September 30:

	<u>2012</u>	<u>2011</u>
Endowment	\$ 1,298,627	\$ 766,618
Kauffman Foundation (Education, Speaker Series, Website, and Kansas City Library Truman Branch)	510,000	840,000
Other	386	6,482
	<u>\$ 1,809,013</u>	<u>\$ 1,613,100</u>

Permanently restricted net assets at September 30 are restricted to:

	<u>2012</u>	<u>2011</u>
Investment in perpetuity, the income of which is expendable to support certain activities of the Institute	\$ 3,453,148	\$ 3,453,148

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2012</u>	<u>2011</u>
Endowment appropriations	\$ 120,898	\$ 24,000
Exhibits	96,000	49,000
Education	237,861	199,454
Kemper document access	50,000	50,000
Book programs	9,157	—
Kauffman Foundation (Education, Speaker Series, Website, and Kansas City Library Truman Branch)	330,000	160,000
Other	17,100	255
	<u>\$ 861,016</u>	<u>\$ 482,709</u>

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

Notes To Financial Statements (*Continued*)

5. Endowment Funds

Interpretation Of Relevant Law

The Institute's endowment consists of four individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). Net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Institute's governing body has interpreted the Uniform Prudent Management of Institutional Funds Act as adopted by the state of Missouri (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) Duration and preservation of the fund,
- (2) Purposes of the Institute and the fund,
- (3) General economic conditions,
- (4) Possible effect of inflation and deflation,
- (5) Expected total return from investment income and appreciation or depreciation of investments,
- (6) Other resources of the Institute,
- (7) Investment policies of the Institute.

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

Notes To Financial Statements (*Continued*)

Composition Of Endowment Net Assets

The composition of net assets by type of endowment fund at September 30, 2012 and 2011 was:

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ —	\$ 1,298,627	\$ 3,453,148	\$ 4,751,775
Board-designated endowment funds	1,342,702	—	—	1,342,702
	\$ 1,342,702	\$ 1,298,627	\$ 3,453,148	\$ 6,094,477

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ (31,490)	\$ 766,618	\$ 3,453,148	\$ 4,188,276
Board-designated endowment funds	1,158,848	—	—	1,158,848
	\$ 1,127,358	\$ 766,618	\$ 3,453,148	\$ 5,347,124

Changes in endowment net assets for the years ended September 30, 2012 and 2011 were:

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Beginning balance	\$ 1,127,358	\$ 766,618	\$ 3,453,148	\$ 5,347,124
Investment income	25,722	101,373	—	127,095
Net appreciation	191,462	547,029	—	738,491
Total investment return	217,184	648,402	—	865,586
Contributions	3,021	4,505	—	7,526
Appropriation of endowment assets for expenditure	(4,861)	(120,898)	—	(125,759)
Ending balance	\$ 1,342,702	\$ 1,298,627	\$ 3,453,148	\$ 6,094,477

HARRY S. TRUMAN LIBRARY INSTITUTE
FOR NATIONAL AND INTERNATIONAL AFFAIRS

Notes To Financial Statements (Continued)

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Beginning balance	\$ 1,162,374	\$ 861,393	\$ 3,252,300	\$ 5,276,067
Investment income	26,961	29,035	—	55,996
Net depreciation	(57,132)	(99,810)	—	(156,942)
Total investment return	(30,171)	(70,775)	—	(100,946)
Contributions	—	—	200,848	200,848
Appropriation of endowment assets for expenditure	(4,845)	(24,000)	—	(28,845)
Ending balance	\$ 1,127,358	\$ 766,618	\$ 3,453,148	\$ 5,347,124

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at September 30, 2012 and 2011 consisted of:

	2012	2011
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or UPMIFA	\$ 3,453,148	\$ 3,453,148
Temporarily restricted net assets - portion of perpetual endowment funds subject to a restriction under UPMIFA		
With purpose restrictions	\$ 41,380	\$ 4,011
Without purpose restrictions	1,257,247	762,607
	\$ 1,298,627	\$ 766,618

Investment And Spending Policies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Institute is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. There were no such deficiencies at September 30, 2012. Deficiencies of this nature are reported in unrestricted net assets and totaled \$31,490 at September 30, 2011.

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

Notes To Financial Statements (*Continued*)

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain and enhance the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Institute must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Institute's policies, endowment assets are invested in a manner that is intended to produce a moderate return while assuming a minimal level of investment risk. The Institute expects its endowment funds to provide an average rate of return of no less than the rate of inflation as measured by the Consumer Price Index plus 4%. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Institute targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Institute has a policy (the spending policy) of appropriating for expenditure each year the realized earnings and interest income for the board designated endowments. The policy allows up to 5% of board-designated endowment net assets to be expended on an annual basis. The investment income from the board designated endowment is unrestricted and may be fully expended as needed with prior approval by the board. Donor-restricted endowments are expended in accordance with the donor agreements.

6. Defined Contribution Plan

The Institute has a defined contribution retirement plan covering substantially all employees. The Institute contributes 7% of each employee's salary to the Plan. In addition, employees may make voluntary contributions to the Plan. Contributions to the Plan by the Institute totaled \$33,241 and \$32,265 for 2012 and 2011, respectively.

HARRY S. TRUMAN LIBRARY INSTITUTE
FOR NATIONAL AND INTERNATIONAL AFFAIRS

Notes To Financial Statements (*Continued*)

7. Concentrations

During 2012, no donors individually contributed greater than 10% of contributions and grants received. During 2011, two donors individually contributed 84% of contributions and grants received. Contributions from Board members and/or entities closely related to Board members were approximately \$210,000 and \$450,000 in fiscal year 2012 and 2011, respectively, and are included in various captions in the statement of support and revenue, expenses and changes in net assets.



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Independent Auditors' Report On Supplementary Information

We have audited the financial statements of the Harry S. Truman Library Institute For National and International Affairs (the Institute) as of and for the year ended September 30, 2012, and our report thereon dated January 30, 2013, which expressed an unqualified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying summary of net assets and other resources, note to summary of net assets and other resources and summary of pledges receivable, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

RubinBrown LLP

January 30, 2013

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

SUMMARY OF NET ASSETS AND OTHER RESOURCES

September 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets				
General fund	\$ 2,987,798	\$ —	\$ —	\$ 2,987,798
Board designated				
Endowment fund	1,342,702	—	—	1,342,702
Preventative maintenance fund	454,790	—	—	454,790
Endowment fund	—	1,809,013	3,453,148	5,262,161
Total Net Assets	4,785,290	1,809,013	3,453,148	10,047,451
Other Resources				
Community foundations	—	91,866	—	91,866
Pledges receivable	—	126,000	—	126,000
Total Other Resources	—	217,866	—	217,866
Total Net Assets And Other Resources	\$ 4,785,290	\$ 2,026,879	\$ 3,453,148	\$ 10,265,317

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

NOTE TO SUMMARY OF NET ASSETS AND OTHER RESOURCES

September 30, 2012

1. Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Institute, the accounts are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with the activities or objectives specified. Separate accounts are maintained for each fund. The Institute maintains four funds as follows:

General Fund

The General Fund reports all revenues received and expenditures made not specifically allocated to the Institute's restricted purpose funds. Revenues consist primarily of investment income and annual giving. Expenses related to scholarships, research grants and general operating expenses of the Institute.

Endowment Fund

The Endowment Fund was established in 1992 to account for endowment funds received by the Institute. Endowment funds are subject to restrictions of gift instruments requiring in perpetuity that all of the principal be invested and only the income be used for Institute expenditures.

Board Designated Endowment Fund

The Board Designated Endowment Fund was created by a vote of the Board of Directors, rather than a donor or other outside agency, to help ensure the future financial well-being of the Institute.

Board Designated Preventative Maintenance Fund

The Board Designated Preventative Maintenance Fund was created by the Board of Directors, rather than a donor or other outside agency, to help ensure the financial well-being of the Institute and maintain a pool of funds available for preventative maintenance needs.

HARRY S. TRUMAN LIBRARY INSTITUTE FOR NATIONAL AND INTERNATIONAL AFFAIRS

SUMMARY OF PLEDGES RECEIVABLE September 30, 2012 And 2011

The Institute receives grant promises and pledges to be received (pledges receivable). Under the modified cash basis of accounting, these pledges receivable are not recognized in the accompanying financial statements until payment is received. The following is a summary of pledges receivable, undiscounted, for the years ended September 30, 2012 and 2011.

Pledges Receivable, October 1, 2010	\$ 307,011
Grant promises and pledges received	96,000
Grant and pledge payments received	(130,000)
Write-offs	(52,011)
	221,000
Pledges Receivable, September 30, 2011	221,000
Grant promises and pledges received	81,685
Grant and pledge payments received	(176,685)
	81,685
Pledges Receivable, September 30, 2012	\$ 126,000

Scheduled payments on pledges receivable are due as follows:

<u>Year Ending September 30,</u>	
2013	\$ 93,500
2014	12,500
2015	10,000
2016	10,000
	32,000
	\$ 126,000