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**William J. Clinton
Presidential Foundation, Inc.**

**Independent Accountants' Report and Financial Statements
(Modified Cash Basis)**

December 31, 2001 and 2000



William J. Clinton Presidential Foundation, Inc.
December 31, 2001 and 2000

SECURITY

Contents

Independent Accountants' Report	1
Financial Statements (Modified Cash Basis)	
<i>Statements of Financial Position</i>	2
<i>Statements of Activities</i>	3
<i>Notes to Financial Statements</i>	4
Supplementary Information	
Independent Accountants' Report on Supplementary Information	8
<i>Functional Expenses.....</i>	9



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Independent Accountants' Report

Board of Directors
William J. Clinton Presidential Foundation, Inc.
Little Rock, Arkansas

We have audited the accompanying modified cash basis statements of financial position of William J. Clinton Presidential Foundation, Inc. as of December 31, 2001 and 2000 and the related statements of activities for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in *Note 1*, the Foundation's policy is to prepare its financial statements using 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 financial position of William J. Clinton Presidential Foundation, Inc. as of December 31, 2001 and 2000, and the changes in its net assets for the years then ended on the basis of accounting described in *Note 1*.

BKD, LLP

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March 1, 2002

William J. Clinton Presidential Foundation, Inc.

Statements of Activities

(Modified Cash Basis)

December 31, 2001 and 2000

Assets

	<u>2001</u>	<u>2000</u>
Cash and cash equivalents	\$ 9,851,529	\$ 8,014,811
Investments	<u>5,288,783</u>	<u>4,572,332</u>
Total current assets	15,140,312	12,587,143
Property and equipment, net of accumulated depreciation; 2001 - \$2,481, 2000 - \$0	<u>5,740,992</u>	<u>1,198,585</u>
Total assets	\$ <u>20,881,304</u>	\$ <u>13,785,728</u>

Net Assets

Unrestricted net assets	\$ <u>20,881,304</u>	\$ <u>13,785,728</u>
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William J. Clinton Presidential Foundation, Inc.

Statements of Activities

(Modified Cash Basis)

Years Ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Revenues, Gains and Other Support		
Contributions	\$ 9,885,816	\$ 8,478,492
Investment return	<u>175,729</u>	<u>442,876</u>
	<u>10,061,545</u>	<u>8,921,368</u>
Expenses (and Losses)		
Program services	446,208	80,919
Management and general	1,033,730	190,118
Fundraising	<u>1,486,031</u>	<u>787,533</u>
	<u>2,965,969</u>	<u>1,058,570</u>
Increase in Net Assets	7,095,576	7,862,798
Net Assets, Beginning of Year	<u>13,785,728</u>	<u>5,922,930</u>
Net Assets, End of Year	\$ <u>20,881,304</u>	\$ <u>13,785,728</u>

William J. Clinton Presidential Foundation, Inc.

Notes to Financial Statements

December 31, 2001 and 2000

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

William J. Clinton Presidential Foundation, Inc. (Foundation) is a tax-exempt foundation formed in October 1997 to design, construct and initially endow a Presidential archival depository to house and preserve the books, correspondence, documents, papers, pictures, photographs and other memorabilia of President Clinton. The Foundation solicits and accepts gifts or bequests of money or property for the purpose of constructing and initially endowing the Presidential archival.

Use of Estimates

The preparation of financial statements in conformity with modified cash basis accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2001 and 2000, cash equivalents consisted of money market accounts held with brokers and a repurchase agreement with a financial institution.

Investments and Investment Return

Investments are recorded at cost or fair value on the date of donation if contributed (modified cash basis of accounting). Any declines in the value of an investment that is considered permanent is recognized in realized gains and losses. Investment return includes dividend, interest and realized 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 included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment

Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset.

William J. Clinton Presidential Foundation, Inc.

Notes to Financial Statements

December 31, 2001 and 2000

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 activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets. During fiscal years 2001 and 2000, the Foundation received no temporarily or permanently restricted contributions.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

Modified Cash Basis of Accounting

The Foundation's financial statements are presented on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Property and equipment are carried at cost or fair market value at the date of the donation. Revenues are recognized when collected and expenses are recognized when paid. Therefore, accounts and pledges receivable, payables and accrued revenues and expenses, which may be material, are not reflected in the financial statements. Accordingly, the statements are not intended to present financial position or changes in net assets in conformity with generally accepted accounting principles.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fund raising categories based on time and effort measurements and other methods.

Reclassifications

Certain reclassifications have been made to the 2000 financial statements to conform to the 2001 financial presentation. These reclassifications had no effect on the change in net assets.

William J. Clinton Presidential Foundation, Inc.

Notes to Financial Statements

December 31, 2001 and 2000

Note 2: Investments and Investment Return

Investments at December 31, 2001 and 2000, consisted of the following:

	<u>2001</u>	<u>2000</u>
Equity securities	\$ 288,783	\$ 572,332
U.S. Treasury securities	2,000,000	2,000,000
Federal Home Loan Bank bond	<u>3,000,000</u>	<u>2,000,000</u>
	<u>\$ 5,288,783</u>	<u>\$ 4,572,332</u>

Total investment return is comprised of the following:

	<u>2001</u>	<u>2000</u>
Interest and dividend income	\$ 420,163	\$ 390,504
Net realized gains (losses) on investments	<u>(244,434)</u>	<u>52,372</u>
	<u>\$ 175,729</u>	<u>\$ 442,876</u>

Note 3: Property and Equipment

Property and equipment at December 31, consist of the following:

	<u>2001</u>	<u>2000</u>
Land	\$ 943,690	\$ —
Office furniture and equipment	153,400	—
Construction in progress	<u>4,646,383</u>	<u>1,198,585</u>
	5,743,473	1,198,585
Less accumulated depreciation	<u>2,481</u>	<u>—</u>
	<u>\$ 5,740,992</u>	<u>\$ 1,198,585</u>

William J. Clinton Presidential Foundation, Inc.

Notes to Financial Statements

December 31, 2001 and 2000

Note 4: Operating Leases

Noncancellable operating leases for office space expire in 2003. These leases generally contain renewal options for periods of two years and require the Foundation to pay some executory costs (maintenance and insurance). Rental expense for all operating leases was \$59,254 and \$16,926 for 2001 and 2000, respectively.

Future minimum lease payments at December 31, were:

2002	\$	44,652
2003		<u>25,738</u>
	\$	<u>70,390</u>

Note 5: Pension Plan

In 2001, the Foundation established a defined-contribution pension plan covering substantially all employees. The Board of Directors annually determines the amount, if any, of the Foundation's contributions to the plan. Pension expense was \$6,869 for 2001.

Note 6: Repurchase Agreement

The Foundation has entered into a repurchase agreement with a financial institution whereby excess cash in its operating account is invested in government-backed securities at the close of the business day is redeposited, along with interest earned, in the checking account at the start of the next business day. Amounts invested through this agreement as of December 31, 2001 and 2000 were \$2,785,724 and \$4,732,256 respectively.

Note 6: Commitments

During 2001, the Foundation held a ground breaking ceremony for the construction of the William J. Clinton Presidential Library. Complete project costs are unknown at this time, but is estimated to be approximately \$160 million.

Supplementary Information

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**Independent Accountants' Report On
Supplementary Information**

Board of Directors
William J. Clinton Presidential Foundation, Inc.
Little Rock, Arkansas

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The nature of our audit procedures is more fully described in our report on the basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

March 1, 2002

William J. Clinton Presidential Foundation, Inc.

Functional Expenses

Year Ended December 31, 2001

(with Comparative Totals for 2000)

	<u>Program Services</u>	<u>Management/ General</u>	<u>Fundraising</u>	<u>Total</u>
Rent and rent improvements	\$ —	\$ 90,438	\$ —	\$ 90,438
Utilities	—	51,162	—	51,162
Salary and payroll	262,440	320,829	—	583,269
Consulting fees	140,514	132,312	132,311	405,137
Legal	28,667	307,359	129,004	465,030
Event expenses	6,962	—	62,661	69,623
Direct mail	—	—	1,080,659	1,080,659
Production	7,625	—	68,623	76,248
Media and photography	—	—	980	980
Registration	—	—	11,793	11,793
Other	—	129,149	—	129,149
Depreciation	—	2,481	—	2,481
Totals Year Ended December 31, 2001	\$ <u>446,208</u>	\$ <u>1,033,730</u>	\$ <u>1,486,031</u>	\$ <u>2,965,969</u>
Totals Year Ended December 31, 2000	\$ <u>80,919</u>	\$ <u>190,118</u>	\$ <u>787,533</u>	\$ <u>1,058,570</u>