

*Audit*  
*CS 7826*

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

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

December 31, 2003 and 2002



**William J. Clinton Presidential Foundation, Inc.**  
December 31, 2003 and 2002

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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, 2003 and 2002 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.

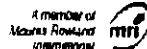
As described in *Note 1*, the Foundation's policy is to prepare its financial statements using the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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, 2003 and 2002, and the changes in its net assets for the years then ended on the basis of accounting described in *Note 1*.

BKD, LLP

Solutions  
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March 5, 2004



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**William J. Clinton Presidential Foundation, Inc.**  
**Statements of Financial Position**  
**(Modified Cash Basis)**  
**December 31, 2003 and 2002**

**Assets**

	<u>2003</u>	<u>2002</u>
Cash and cash equivalents	\$ 6,941,982	\$ 10,558,672
Investments	<u>227,095</u>	<u>191,410</u>
Total current assets	7,169,077	10,750,082
Property and equipment, net of accumulated depreciation: 2003 - \$47,815, 2002 - \$24,395	<u>71,731,897</u>	<u>30,604,221</u>
Total assets	<u>\$ 78,900,974</u>	<u>\$ 41,354,303</u>

**Net Assets**

Unrestricted net assets	<u>\$ 78,900,974</u>	<u>\$ 41,354,303</u>
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**William J. Clinton Presidential Foundation, Inc.**  
**Statements of Activities**  
**(Modified Cash Basis)**  
**Years Ended December 31, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<b>Revenues, Gains and Other Support</b>		
Contributions	\$ 44,529,126	\$ 25,195,088
Investment return	315,858	377,895
Other	<u>34,001</u>	<u>—</u>
	<u>44,878,985</u>	<u>25,572,983</u>
<b>Expenses</b>		
Program services	2,293,521	1,117,707
Management and general	1,885,756	1,595,075
Fund raising	<u>3,133,037</u>	<u>2,387,202</u>
	<u>7,312,314</u>	<u>5,099,984</u>
Increase in Net Assets	37,546,671	20,472,999
Net Assets, Beginning of Year	<u>41,354,303</u>	<u>20,881,304</u>
Net Assets, End of Year	<u>\$ 78,900,974</u>	<u>\$ 41,354,303</u>

**William J. Clinton Presidential Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2003 and 2002**

**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.

The mission of the William J. Clinton Presidential Foundation is to strengthen the capacity of people in the United States and throughout the world to meet the challenges of global interdependence.

To accomplish this mission, the Foundation currently focuses its work in five critical areas:

- economic empowerment of poor people;
- racial, ethnic and religious reconciliation;
- health security, specifically combating AIDS;
- leadership development;
- and citizen service

The Foundation works principally through partnerships with like-minded individuals, organizations, corporations and governments, often serving as an incubator for new policies and programs.

Former President Clinton established the Foundation and advances its mission by using his vast public and private networks to initiate research, dialogue and action.

***Use of Estimates***

The preparation of financial statements in conformity with the modified cash basis 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, 2003 and 2002, cash equivalents consisted of money market accounts held with brokers and a repurchase agreement with a financial institution. At December 31, 2003, the Foundation's cash accounts exceeded federally issued limits by approximately \$6.6 million.

**William J. Clinton Presidential Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2003 and 2002**

***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.

***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 2003 and 2002, 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.

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**William J. Clinton Presidential Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2003 and 2002**

***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 services, management and general and fund raising categories based on time and effort measurements and other methods.

**Note 2: Investments and Investment Return**

Investments at December 31, 2003 and 2002, consisted of equity securities of \$227,095 and \$191,410, respectively.

Total investment return is comprised of the following:

	<u>2003</u>	<u>2002</u>
Interest and dividend income	\$ 223,237	\$ 475,378
Net realized gains (losses) on investments	<u>92,621</u>	<u>(97,483)</u>
	<u>\$ 315,858</u>	<u>\$ 377,895</u>



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**William J. Clinton Presidential Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2003 and 2002**

**Note 3: Property and Equipment**

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

	<u>2003</u>	<u>2002</u>
Land..	\$ 943,690	\$ 943,690
Office furniture and equipment	195,541	153,400
Construction in progress	<u>70,640,481</u>	<u>29,531,526</u>
	71,779,712	30,628,616
Less accumulated depreciation	<u>47,815</u>	<u>24,395</u>
	<u>\$ 71,731,897</u>	<u>\$ 30,604,221</u>

**Note 4: Operating Leases**

The Foundation has month-to-month operating leases for office space and require the Foundation to pay some executory costs (maintenance and insurance). Rental expense for all operating leases was \$59,284 and \$55,915 for 2003 and 2002, respectively.

**Note 5: Pension Plan**

The Foundation has 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 \$33,179 and \$12,517 for 2003 and 2002, respectively.

**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 and 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, 2003 and 2002 were \$3,793,538 and \$2,056,542, respectively.

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**William J. Clinton Presidential Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2003 and 2002**

**Note 7: Commitments**

***Construction Project***

During 2004, the Foundation is expected to complete construction of the William J. Clinton Presidential Library. Complete project costs are unknown at this time, but are estimated to be approximately \$160 million.

***Letter of Credit***

The Foundation had \$7 million and \$0 at December 31, 2003 and 2002, respectively, in an outstanding letter of credit to be used for the costs of construction of the William J. Clinton Presidential Library, if required. At December 31, 2003, the letter of credit had not been used.

**Note 8: Subsequent Events**

On January 20, 2004, the Foundation purchased an office building for \$1,980,000. The purchase was financed with a line of credit loan from a bank, which is due January 2009.

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### Supplementary Information



**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 5, 2004

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**William J. Clinton Presidential Foundation, Inc.**  
**Functional Expenses**  
**Year Ended December 31, 2003**  
**(with Comparative Totals for 2002)**

	<b>Program Services</b>	<b>Management/ General</b>	<b>Fund raising</b>	<b>Total</b>
Rent and rent improvements	\$ —	\$ 146,362	\$ —	\$ 146,362
Utilities	—	36,594	—	36,594
Salary and payroll	—	1,073,963	417,050	1,491,013
Consulting fees	89,941	134,912	224,854	449,707
Legal	42,734	64,101	—	106,835
Event expenses	96,178	—	—	96,178
Direct mail	—	—	1,846,558	1,846,558
Production	—	—	210,487	210,487
Media and photography	7,892	—	—	7,892
Registration	11,540	—	—	11,540
Other	—	406,402	—	406,402
Travel	147,611	—	454,088	601,699
Projects	1,897,625	—	—	1,897,625
Depreciation	—	23,420	—	23,420
<b>Totals Year Ended December 31, 2003</b>	<b>\$ 2,293,521</b>	<b>\$ 1,885,756</b>	<b>\$ 3,153,037</b>	<b>\$ 7,332,314</b>
<b>Totals Year Ended December 31, 2002</b>	<b>\$ 1,117,707</b>	<b>\$ 1,595,075</b>	<b>\$ 2,387,202</b>	<b>\$ 5,099,984</b>