

Audit
037826

William J. Clinton Presidential Foundation, Inc

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

December 31, 2004 and 2003



AG 01 / 08 / 05

Contents

Independent Accountants' Report..... 1

Financial Statements (Modified Cash Basis)

Statements of Financial Position 2

Statements of Activities..... 3

Notes to Financial Statements 4

Supplementary Information

Independent Accountants' Report on Supplementary Information 11

| | |
|---------------------------|----|
| Functional Expenses | 12 |
|---------------------------|----|

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, 2004 and 2003 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, 2004 and 2003, and the changes in its net assets for the years then ended on the basis of accounting described in *Note 1*.

/s/ **BKD, LLP**

June 30, 2005

William J. Clinton Presidential Foundation, Inc.
Statements of Financial Position
(Modified Cash Basis)
December 31, 2004 and 2003

Assets

| | <u>2004</u> | <u>2003</u> |
|---|-----------------------|----------------------|
| Cash and cash equivalents | \$ 3,541,150 | \$ 6,941,982 |
| Investments | <u>821,017</u> | <u>227,095</u> |
| Total current assets | 4,362,167 | 7,169,077 |
| Property and equipment, net of accumulated depreciation; 2004 - \$597,891, 2003 - \$47,815 | <u>114,803,660</u> | <u>71,731,897</u> |
| Total assets | <u>\$ 119,165,827</u> | <u>\$ 78,900,974</u> |

Liabilities and Net Assets

Current Liabilities

| | | |
|--------------------------------------|-------------------|----------|
| Notes payable | \$ 10,350,000 | \$ — |
| Current maturities of long-term debt | <u>54,414</u> | <u>—</u> |
| Total current liabilities | <u>10,404,414</u> | <u>0</u> |

Long-term Debt

| | | |
|--|-------------------|----------|
| | <u>28,425,456</u> | <u>—</u> |
|--|-------------------|----------|

Net Assets

| | | |
|-------------------------|-----------------------|----------------------|
| Unrestricted net assets | <u>80,335,957</u> | <u>78,900,974</u> |
| | <u>\$ 119,165,827</u> | <u>\$ 78,900,974</u> |

William J. Clinton Presidential Foundation, Inc.
Statements of Activities
(Modified Cash Basis)
Years Ended December 31, 2004 and 2003

| | <u>2004</u> | <u>2003</u> |
|--|----------------------|----------------------|
| Revenues, Gains and Other Support | | |
| Contributions | \$ 61,774,446 | \$ 44,529,126 |
| Investment return | 31,210 | 315,858 |
| Other | <u>923,659</u> | <u>34,001</u> |
| | <u>62,729,315</u> | <u>44,878,985</u> |
| Expenses | | |
| Program services | 56,249,333 | 2,293,521 |
| Management and general | 2,797,622 | 1,885,756 |
| Fund raising | <u>2,247,377</u> | <u>3,153,037</u> |
| | <u>61,294,332</u> | <u>7,332,314</u> |
| Increase in Net Assets | 1,434,983 | 37,546,671 |
| Net Assets, Beginning of Year | <u>78,900,974</u> | <u>41,354,303</u> |
| Net Assets, End of Year | <u>\$ 80,335,957</u> | <u>\$ 78,900,974</u> |

William J. Clinton Presidential Foundation, Inc.

Notes to Financial Statements

December 31, 2004 and 2003

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, 2004 and 2003, cash equivalents consisted of money market accounts held with brokers and a repurchase agreement with a financial institution. At December 31, 2004, the Foundation's cash accounts exceeded federally issued limits by approximately \$3.3 million.

William J. Clinton Presidential Foundation, Inc.

Notes to Financial Statements

December 31, 2004 and 2003

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 2004 and 2003, 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.

William J. Clinton Presidential Foundation, Inc.

Notes to Financial Statements

December 31, 2004 and 2003

Interest Capitalization

The Foundation capitalizes interest costs during the construction of qualifying assets based on interest rates of borrowings specific to the project and qualified expenditures incurred during the period. During 2004, the Foundation capitalized \$491,100 of interest costs. No interest charges were incurred or capitalized during 2003.

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 accounting principles generally accepted in the United States of America. 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, 2004, consisted of equity securities of \$648,723 and real estate of \$172,294. Investments at December 31, 2003, consisted solely of equity securities.

Total investment return is comprised of the following:

| | <u>2004</u> | <u>2003</u> |
|--|------------------|-------------------|
| Interest and dividend income | \$ 35,917 | \$ 223,237 |
| Net realized gains (losses) on investments | <u>(4,707)</u> | <u>92,621</u> |
| | <u>\$ 31,210</u> | <u>\$ 315,858</u> |

William J. Clinton Presidential Foundation, Inc.

Notes to Financial Statements December 31, 2004 and 2003

Note 3: Property and Equipment

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

| | 2004 | 2003 |
|-------------------------------|-----------------------|----------------------|
| Land | \$ 943,690 | \$ 943,690 |
| Furniture and equipment | 487,308 | 195,541 |
| Buildings and fixtures | 113,970,553 | — |
| Construction in progress | <u>—</u> | <u>70,640,481</u> |
| | 115,401,551 | 71,779,712 |
| Less accumulated depreciation | <u>597,891</u> | <u>47,815</u> |
| | <u>\$ 114,803,660</u> | <u>\$ 71,731,897</u> |

Note 4: Notes Payable

At December 31, 2004, the Foundation had two unsecured notes outstanding totaling \$10,350,000. One is in the amount of \$10 million and accrues interest at a rate of 2.48% per annum. The principal and all accrued interest is payable upon demand by the lender.

The other note amounted to \$350,000 and included no provision for the payment of interest. The note was payable upon demand by the lender and subsequent to year end was repaid.

Note 5: Long-term Debt

| | |
|--------------------------|----------------------|
| Line of credit, bank (A) | \$ 26,499,870 |
| Note payable, bank (B) | <u>1,980,000</u> |
| | <u>\$ 28,479,870</u> |

- (A) Line of credit with a borrowing limit of \$28,000,000. Interest accrues at the 30-day London Inter Bank Offering Rate (LIBOR) plus 1.75% and is payable monthly. At December 31, 2004, the interest rate in effect was 4.17%. The debt is secured by pledges receivable from donors. Outstanding draws against the line as well as any accrued interest is payable May 15, 2006.

William J. Clinton Presidential Foundation, Inc.
Notes to Financial Statements
December 31, 2004 and 2003

Note 9: Transactions with the National Archives and Records Administration

In 2004, the Foundation entered into a joint use, operating and transfer Agreement with the National Archives and Records Administration (NARA) that expires February 29, 2101. Under the agreement, NARA agreed to operate certain areas of the facility known as the Clinton Library for the purposes of housing, preserving, and making available, through historical research, exhibitions, educational programs, and other activities, the Presidential records and historical materials of President William Jefferson Clinton.

Because the terms of the lease essentially transfer to NARA the right to use portions of the Library for a period in excess of what would be considered the property's economic life, the cost of construction of those areas operated by NARA have been recorded as a program service cost on the Foundation's Statement of Activities in the amount of \$36,000,000.

The agreement also required the Foundation to establish an endowment with NARA equal to \$7,200,000 for the maintenance of the facility and equipment comprising the Clinton Library. The transfer of funds establishing endowment with NARA was also recorded as a program service cost on the Foundation's Statement of Activities.

Note 10: Disclosures about Fair Value of Financial Instruments

The following methods were used to estimate the fair value of financial instruments.

The fair values of certain of these instruments is the estimated amount at which financial assets could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments and because management does not intend to sell these financial instruments, the Foundation does not know whether the fair values shown below represent values at which the respective financial instruments could be sold individually or in the aggregate.

Securities

Fair value is based on quoted market prices, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Notes Payable and Long-term Debt

For those items termed long-term debt on the Statement of Financial Position, fair value is estimated based on the borrowing rates currently available to the Foundation for bank loans with similar terms and maturities.

For those items included on the Statement of Financial Position as notes payable, fair value is not determinable as these are loans from private parties with terms not generally available from traditional borrowing sources.

William J. Clinton Presidential Foundation, Inc.
Notes to Financial Statements
December 31, 2004 and 2003

The following table presents estimated fair values of the Foundation's financial instruments at December 31, 2004 and 2003.

| | 2004 | | 2003 | |
|---------------------------|--------------------|---------------|--------------------|--------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial assets | | | | |
| Cash and cash equivalents | \$ 3,541,150 | \$ 3,541,150 | \$ 6,941,982 | \$ 6,941,982 |
| Investments | \$ 648,723 | \$ 227,834 | \$ 227,095 | \$ 114,182 |
| Financial liabilities | | | | |
| Long-term debt | \$ 28,479,870 | \$ 28,379,811 | \$ — | \$ — |

Supplementary Information

William J. Clinton Presidential Foundation, Inc.**Functional Expenses****Year Ended December 31, 2004**
(with Comparative Totals for 2003)

| | Program Services | Management/ General | Fund raising | Total |
|---|-----------------------------|--------------------------------|---------------------|----------------------|
| Salaries and benefits | \$ 2,318,733 | \$ 1,159,366 | \$ 386,455 | \$ 3,864,554 |
| Grants and transfers to National Archives | 43,522,300 | — | — | 43,522,300 |
| Supplies and printing | 311,279 | 64,468 | 812,399 | 1,188,146 |
| Travel | 3,734,830 | 66,623 | 117,571 | 3,919,024 |
| Professional and consulting | 2,503,124 | 357,304 | 817,474 | 3,677,902 |
| Equipment rental and maintenance | 35,910 | 17,955 | 5,985 | 59,850 |
| Occupancy costs | 251,168 | 105,098 | 35,033 | 391,299 |
| Event expenses | 2,103,274 | — | — | 2,103,274 |
| Depreciation and interest | 656,691 | — | — | 656,691 |
| Other | <u>812,024</u> | <u>1,026,808</u> | <u>72,460</u> | <u>1,911,292</u> |
| Totals Year Ended December 31, 2004 | <u>\$ 56,249,333</u> | <u>\$ 2,797,622</u> | <u>\$ 2,247,377</u> | <u>\$ 61,294,332</u> |
| Totals Year Ended December 31, 2003 | <u>\$ 2,293,521</u> | <u>\$ 1,885,756</u> | <u>\$ 3,153,037</u> | <u>\$ 7,332,314</u> |