

# **The Center For The Study Of The Presidency**

Financial Report  
December 31, 2007

## Contents

---

<b>Independent Auditor's Report</b>	1
<hr/>	
<b>Financial Statements</b>	
Balance Sheet	2
Statement Of Activities	3
Statement Of Cash Flows	4
<b>Notes To Financial Statements</b>	5 – 8

---

# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Board of Trustees  
The Center for the Study of the Presidency  
Washington, D.C.

We have audited the accompanying balance sheet of The Center for the Study of the Presidency (the Center) as of December 31, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the Center's 2006 financial statements and in our report dated November 5, 2007, 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2007 financial statements referred to above present fairly, in all material respects, the financial position of the Center as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 24, 2008, on our consideration of the Center's internal controls over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*McGladrey & Pullen, LLP*

Vienna, Virginia  
October 24, 2008

**The Center For The Study Of The Presidency**

**Balance Sheet**

**December 31, 2007**

**(With Comparative Totals For 2006)**

<b>Assets</b>	<b>2007</b>	<b>2006</b>
Cash	\$ 231,289	\$ 162,905
Investments	5,542,858	2,254,540
Accounts and Grants Receivable	163,422	400
Promises to Give	269,212	203,041
Prepaid Expenses and Deposits	48,687	30,060
Property and Equipment, net	297,861	82,694
	<b>\$ 6,553,329</b>	<b>\$ 2,733,640</b>

**Liabilities And Net Assets**

Liabilities		
Accounts payable and accrued expenses	\$ 360,345	\$ 48,878
Deferred revenue	200,836	-
Deferred rent	7,243	9,954
	<b>568,424</b>	<b>58,832</b>

Commitments and Contingencies (Notes 4, 7 and 8)

Net Assets

Unrestricted		
Undesignated	1,373,554	1,428,118
Board-designated	3,342,139	-
	<b>4,715,693</b>	<b>1,428,118</b>
Temporarily restricted	269,212	246,690
Permanently restricted	1,000,000	1,000,000
	<b>5,984,905</b>	<b>2,674,808</b>
	<b>\$ 6,553,329</b>	<b>\$ 2,733,640</b>

See Notes To Financial Statements.

The Center For The Study Of The Presidency

Statement Of Activities

Year Ended December 31, 2007

(With Comparative Totals For 2006)

	2007				2006 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Support and revenue:					
Contributions and grants	\$ 5,305,050	\$ 400,283	\$ -	\$ 5,705,333	\$ 1,543,918
Investment income	120,574	-	-	120,574	207,584
Publications	69,717	-	-	69,717	72,243
Annual anniversary dinner	11,750	-	-	11,750	189,730
Membership dues	23,165	-	-	23,165	25,611
Other	15,235	-	-	15,235	24
Program support	-	-	-	-	540,064
	<b>5,545,491</b>	<b>400,283</b>	<b>-</b>	<b>5,945,774</b>	<b>2,579,174</b>
Net assets released from restrictions	377,761	(377,761)	-	-	-
<b>Total support and revenue</b>	<b>5,923,252</b>	<b>22,522</b>	<b>-</b>	<b>5,945,774</b>	<b>2,579,174</b>
Expenses:					
Educational and program	1,773,713	-	-	1,773,713	1,416,060
Management and general	761,186	-	-	761,186	544,638
Fundraising	100,778	-	-	100,778	217,855
<b>Total expenses</b>	<b>2,635,677</b>	<b>-</b>	<b>-</b>	<b>2,635,677</b>	<b>2,178,553</b>
<b>Change in net assets</b>	<b>3,287,575</b>	<b>22,522</b>	<b>-</b>	<b>3,310,097</b>	<b>400,621</b>
Net assets:					
Beginning	1,428,118	246,690	1,000,000	2,674,808	2,274,187
Ending	<b>\$ 4,715,693</b>	<b>\$ 269,212</b>	<b>\$ 1,000,000</b>	<b>\$ 5,984,905</b>	<b>\$ 2,674,808</b>

See Notes To Financial Statements.

The Center For The Study Of The Presidency

Statement Of Cash Flows

Year Ended December 31, 2007

(With Comparative Totals For 2006)

	2007	2006
Cash Flows From Operating Activities		
Change in net assets	\$ 3,310,097	\$ 400,621
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	54,167	36,729
Donated stock	(50,544)	(50,541)
Deferred rent	(2,711)	624
Realized and unrealized (gains) on investments	(6,113)	(138,302)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts and grants receivable	(163,022)	6,160
Prepaid expenses and deposits	(18,627)	(11,366)
Promises to give	(66,171)	(121,541)
Increase (decrease) in:		
Accounts payable and accrued expenses	284,357	(87,204)
Deferred revenue	200,836	-
<b>Net cash provided by operating activities</b>	<b>3,542,269</b>	<b>35,180</b>
Cash Flows From Investing Activities		
Proceeds from sale of investments	10,000	219,523
Purchases of investments	(3,241,661)	(146,360)
Purchases of property and equipment	(242,224)	(65,318)
<b>Net cash (used in) provided by investing activities</b>	<b>(3,473,885)</b>	<b>7,845</b>
<b>Net increase in cash</b>	<b>68,384</b>	<b>43,025</b>
Cash		
Beginning	162,905	119,880
Ending	<b>\$ 231,289</b>	<b>\$ 162,905</b>
Supplemental Schedule Of Noncash Investing And Financing Activities		
Receipt of donated stock	<b>\$ 50,544</b>	<b>\$ 50,541</b>

See Notes To Financial Statements.

## The Center For The Study Of The Presidency

### Notes To Financial Statements

---

#### Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: The Center for the Study of the Presidency (the Center) is a not-for-profit education corporation founded to:

- Secure an understanding of the American constitutional system of government,
- Provide objective, nonpartisan public policy research,
- Provide educational programs for college and university students, and
- Strengthen democratic institutions.

A summary of the Center's significant accounting policies follows:

Basis of accounting: The financial statements are prepared on the accrual basis of accounting whereby revenue is recognized when earned and expenses recognized when incurred.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Center 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.

Financial risk: The Center maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Center has not experienced any losses on such accounts and believes it is not exposed to any significant financial risk on cash.

The Center invests in professionally managed portfolios that contain equity securities. Such investments are exposed to various risks such as market and credit. 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 risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Property and equipment: The Center capitalizes all property and equipment. Property and equipment are stated at cost. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets.

Valuation of long-lived assets: The Center accounts for the valuation of long-lived assets under Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Investments: Investments with readily determinable fair values are reflected at fair market value. Unrealized gains and losses on investments are reported in the statement of activities as part of investment income.

## The Center For The Study Of The Presidency

### Notes To Financial Statements

---

#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Support and revenue recognition: Membership dues are recognized ratably over the membership period to which they apply.

All contribution revenue is considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Temporarily restricted net assets are reported as unrestricted net assets if the restrictions are met in the same period received.

Promises to give: Promises to give are recorded as a receivable when a verifiable promise to give is received. All promises to give are recorded as a temporarily restricted net asset. As promises to give are actually collected and all restrictions are met, the contributions are transferred to unrestricted support. Management determines an allowance for uncollectible promises, which represents an estimate, discounted for present value, of promises to give which will be written off. Promises to give totaled \$269,212 at December 31, 2007, and are expected to be fully collected during 2008; consequently, no discount has been applied to this balance. No allowance has been recorded at December 31, 2007, as management believes that all promises to give are fully collectible.

Board-designated net assets: During the year ended December 31, 2007, the Center received \$3,842,139 from the estate of Gordon Hoxie. These funds were unrestricted by the donor; however, the Board of Trustees elected to designate the use of these funds for specific board-approved initiatives. \$500,000 of these funds was expended during 2007, and \$3,342,139 remains as board-designated net assets at December 31, 2007.

Income taxes: Pursuant to Section 501(c)(3) of the Internal Revenue Code, the Center is exempt from taxes on income other than unrelated business income. No tax liability for unrelated business income has been accrued as of December 31, 2007, since the Center did not earn any unrelated business income during 2007. In addition, the Internal Revenue Service has determined that the Center is not a private foundation.

Functional allocation of expenses: The costs of providing the various programs and fundraising have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and fundraising activities benefited. Certain management and staff expenses have been allocated to programs on the basis of time spent. Other expenses have been allocated to programs on a percentage basis. The Center also allocates a portion of salaries and management and general expenses to fundraising.

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

Prior year information: 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2006, from which the summarized information was derived.

## The Center For The Study Of The Presidency

### Notes To Financial Statements

---

#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Recent and upcoming accounting pronouncements: In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurement. FAS 157 also emphasizes that fair value is a market based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under FAS 157, fair value measurements are disclosed by level within that hierarchy. FAS 157 is effective for fiscal years beginning after November 15, 2007, except for non-financial assets and non-financial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis for which delayed application is permitted until fiscal years beginning after November 15, 2008. The Center has not yet completed its analysis of the effects of these interpretations and has not determined if the adoption of FAS 157 will have a material impact on its financial statements.

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, (FIN 48). FIN 48 prescribes a minimum threshold for financial statement recognition of the benefit of tax position taken or expected to be taken by a filer in the filer's tax return. FIN 48 will become effective for fiscal years beginning after December 15, 2008. The Center has not yet determined the impact of the adoption of FIN 48 on its financial statements.

#### Note 2. Property And Equipment

Property and equipment at December 31, 2007, consist of the following:

Furniture, fixtures and equipment	\$ 503,177
Less accumulated depreciation	205,316
	<u>\$ 297,861</u>

Depreciation expense was \$54,167 for the year ended December 31, 2007.

#### Note 3. Investments

The Center's investments at December 31, 2007, consist of the following:

Equity securities	\$ 3,093,728
Bonds	1,837,813
Money market funds	611,317
	<u>\$ 5,542,858</u>

The following summarizes investment return for the year ended December 31, 2007:

Interest and dividends	\$ 114,461
Realized and unrealized gains on investments	6,113
	<u>\$ 120,574</u>

## The Center For The Study Of The Presidency

### Notes To Financial Statements

---

#### Note 4. Lease Commitments

The Center leases its office and a portion of its equipment under various noncancelable agreements that expire through February 2009.

Years Ending December 31,	
2008	\$ 191,359
2009	32,244
	<u>\$ 223,603</u>

Rent expense for the year ended December 31, 2007, totaled \$221,935.

#### Note 5. Temporarily And Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	2006	Additions	Released	2007
Time restricted:				
Promise to give	\$ 203,041	\$ 400,283	\$ (334,112)	\$ 269,212
Program restricted:				
Education and scholarships	43,649	-	(43,649)	-
	<u>\$ 246,690</u>	<u>\$ 400,283</u>	<u>\$ (377,761)</u>	<u>\$ 269,212</u>

Permanently restricted net assets of \$1,000,000 are restricted to investments in perpetuity for the establishment of the Gordon Hoxie Endowment Fund, the income from which is expendable to support the Center's operations.

The Board of Trustees actively monitors the performance of all CSP Endowment Funds and elected in 2003 both to rebuild the corpus of the Gordon Hoxie Endowment Fund to its original amount and to permit continued Center use of income from that fund, as needed, to meet operating expenses.

#### Note 6. Pension Plan

The Center has a defined contribution retirement plan. All full-time employees are eligible to participate in the plan on the first day of the month after they begin employment. The Center makes monthly contributions of 5% of eligible employees' compensation, subject to statutory limits. All contributions are fully vested. Total pension expense was \$38,539 for the year ended December 31, 2007.

The Center also has a tax-deferred annuity plan. Employees are immediately eligible to participate in the plan and can elect to defer a percentage of their compensation, subject to statutory limits. All contributions are fully vested. The Center contributed \$45,762 to the plan for the year ended December 31, 2007.

## The Center For The Study Of The Presidency

### Notes To Financial Statements

---

#### Note 7. Subsequent Events

##### Office Lease

On July 1, 2008, the Center extended their current lease for office space. The new lease expires June 30, 2015.

Future payments under the lease are as follows:

Years Ending December 31,	
2009	\$ 260,397
2010	270,332
2011	277,766
2012	285,404
2013	293,523
2014 - 2015	454,019
	<u>\$ 1,841,441</u>

##### Investments

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, the Center's investments have likely incurred a significant decline in fair value since December 31, 2007.

#### Note 8. Contingencies

The Center participates in a number of federally-assisted grant programs that are subject to financial and compliance audits by the federal agencies or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such an audit. Management does not anticipate any significant adjustments as a result of such an audit.