

Audited Financial Statements
LEAGUE OF WOMEN VOTERS
EDUCATION FUND

June 30, 2013

League of Women Voters Education Fund

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T A T E



T R Y O N

A Professional Corporation

Certified Public

Accountants

and Consultants

Independent Auditor's Report on the Financial Statements

To the Board of Trustees
League of Women Voters Education Fund

We have audited the accompanying financial statements of League of Women Voters Education Fund (the Fund), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of League of Women Voters Education Fund as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Washington, DC
September 30, 2013

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League of Women Voters Education Fund

Statements of Financial Position

June 30,	2013	2012
Assets		
Cash and cash equivalents - Note B	\$ 1,416,774	\$ 1,633,550
Investments - Notes B & C	4,531,227	4,042,105
Grants and contributions receivable - Notes D & E	35,753	126,306
Prepaid expenses and other assets	47,445	853
Property and equipment - Note F	83,815	58,691
Total assets	\$ 6,115,014	\$ 5,861,505
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 7,777	\$ 39,158
Obligations under annuity agreements - Note E	8,066	8,696
Due to state and local Leagues - Note B	450,180	453,333
Due to the League - Note G	839,863	646,733
Total liabilities	1,305,886	1,147,920
Net Assets - Notes H & I		
Unrestricted	3,809,922	3,568,463
Temporarily restricted	330,131	476,047
Permanently restricted	669,075	669,075
Total net assets	4,809,128	4,713,585
Total liabilities and net assets	\$ 6,115,014	\$ 5,861,505

League of Women Voters Education Fund

Statements of Activities

Year Ended June 30,	2013	2012
Unrestricted activities		
Revenue and support		
Grants and contributions	\$ 1,726,643	\$ 1,440,270
Investment income (loss) - Note C	634,533	(170,281)
Contributions in lieu of per-member payments	97,761	105,261
Publication sales and other income	3,001	3,065
	2,461,938	1,378,315
Net assets released from restrictions - Note H	861,422	1,239,957
Total revenue and support	3,323,360	2,618,272
Expense		
Program services		
Election services	848,050	626,686
International programs	478,783	129,090
Civic engagement	259,021	498,960
Communications	112,769	84,677
Advocacy	71,079	177,772
Judicial independence	41,538	161,149
Total program services	1,811,240	1,678,334
Supporting services		
Fund raising	777,564	738,974
General and administrative	493,097	519,939
Total supporting services	1,270,661	1,258,913
Total expense	3,081,901	2,937,247
Change in unrestricted net assets	241,459	(318,975)
Temporarily restricted activities		
Grants and contributions	605,512	1,051,730
Investment income - Note C	109,994	62,000
Net assets released from restrictions - Note H	(861,422)	(1,239,957)
Change in temporarily restricted net assets	(145,916)	(126,227)
Change in net assets	95,543	(445,202)
Net assets, beginning of year	4,713,585	5,158,787
Net assets, end of year	\$ 4,809,128	\$ 4,713,585

See notes to the financial statements.

League of Women Voters Education Fund

Statement of Functional Expense

Year Ended June 30, 2013

	Program Services							Supporting Services			Total Expenses
	Election Services	International Programs	Civic Engagement	Communications	Advocacy	Judicial Independence	Total Program Services	Fund Raising	General and Administrative	Total Supporting Services	
Salaries and benefits	\$ 362,687	\$ 219,453	\$ 58,265	\$ 97,431	\$ 60,972	\$ 28,880	\$ 827,688	\$ 493,441	\$ 261,503	\$ 754,944	\$ 1,582,632
Contract services	338,494	41,895	78,807	2,399	40	1,936	463,571	147,966	85,438	233,404	696,975
Meetings, travel, and special events	8,039	132,228	90,447		11	5,249	235,974	10,292	8,105	18,397	254,371
Rent, equipment lease, and maintenance	43,046	26,655	3,887	6,808	6,454		86,850	37,548	52,211	89,759	176,609
Allocated depreciation and amortization	18,835	11,396	3,026	5,060	3,166	1,500	42,983	25,625	13,580	39,205	82,188
Pass-through grants	71,725		6,000			2,250	79,975			-	79,975
Duplication and publication	621	32,061	6,533		36	1,243	40,494	23,293	3,989	27,282	67,776
Board and committee travel and expenses			3,007				3,007	1,234	49,147	50,381	53,388
Postage and delivery	1,941	694	3,007	699	30	92	6,463	31,492	3,639	35,131	41,594
Telephone	2,518	8,058	4,401	372	370	41	15,760	838	4,985	5,823	21,583
Supplies and information resources	144	5,673	878			347	7,042	2,765	2,533	5,298	12,340
Insurance and fees							-	3,820	7,793	11,613	11,613
Other		670	763				1,433	(750)	174	(576)	857
Total expense	\$ 848,050	\$ 478,783	\$ 259,021	\$ 112,769	\$ 71,079	\$ 41,538	\$ 1,811,240	\$ 777,564	\$ 493,097	\$ 1,270,661	\$ 3,081,901

See notes to the financial statements.

League of Women Voters Education Fund

Statement of Functional Expense

Year Ended June 30, 2012

	Program Services							Supporting Services			Total Expenses
	Election Services	Civic Engagement	Advocacy	Judicial Independence	International Programs	Communications	Total Program Services	Fund Raising	General and Administrative	Total Supporting Services	
Salaries and benefits	\$ 324,896	\$ 131,523	\$ 66,481	\$ 92,089	\$ 67,459	\$ 67,400	\$ 749,848	\$ 451,414	\$ 288,206	\$ 739,620	\$ 1,489,468
Contract services	179,333	127,237	99,414	6,053	5,515	3,937	421,489	149,993	85,554	235,547	657,036
Rent, equipment lease, and maintenance	41,096	12,869	8,232	9,834	10,742	4,944	87,717	36,633	56,592	93,225	180,942
Meetings, travel, and special events	8,215	101,770	37	16,759	26,882		153,663	3,404	22,755	26,159	179,822
Pass-through grants	50,275	94,000		14,371	3,107		161,753			-	161,753
Duplication and publication	2,848	7	187	10,032	7,952	5,133	26,159	39,204	3,462	42,666	68,825
Allocated depreciation and amortization	14,235	5,763	2,913	4,035	2,955	2,953	32,854	19,779	12,627	32,406	65,260
Postage and delivery	1,480	5,245		2,899	49	1	9,674	29,496	3,729	33,225	42,899
Board and committee travel and expenses		3,495					3,495		29,681	29,681	33,176
Telephone	3,009	10,516	508	839	1,231	309	16,412	2,108	5,224	7,332	23,744
Supplies and information resources	1,199	5,535		2,738	3,198		12,670	2,965	3,296	6,261	18,931
Insurance and fees	100						100	3,978	7,712	11,690	11,790
Other		1,000		1,500			2,500		1,101	1,101	3,601
Total expense	\$ 626,686	\$ 498,960	\$ 177,772	\$ 161,149	\$ 129,090	\$ 84,677	\$ 1,678,334	\$ 738,974	\$ 519,939	\$ 1,258,913	\$ 2,937,247

See notes to the financial statements.

League of Women Voters Education Fund

Statements of Cash Flows

Year Ended June 30,	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 95,543	\$ (445,202)
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities		
Net (gain) loss on investments	(639,394)	212,929
Donated investments	(12,436)	(8,293)
Donated equipment	(22,049)	(68,157)
Depreciation and amortization	36,373	9,466
Change in value of annuity agreements	1,637	1,840
Changes in assets and liabilities		
Grants and contributions receivable	90,553	(54,439)
Prepaid expenses and other assets	(46,592)	156
Accounts payable and accrued expenses	(31,381)	(13,591)
Due to state and local Leagues	(3,153)	64,428
Due to the League	193,130	310,040
Total adjustments	(433,312)	454,379
Net cash (used in) provided by operating activities	(337,769)	9,177
Cash flows from investing activities		
Purchases of investments	(637,436)	(285,942)
Proceeds from sales of investments	800,144	671,746
Purchases of fixed assets	(39,448)	-
Net cash provided by investing activities	123,260	385,804
Cash flows from financing activities		
Payments under annuity agreements	(2,267)	(2,266)
Net cash used in financing activities	(2,267)	(2,266)
Net (decrease) increase in cash and cash equivalents	(216,776)	392,715
Cash and cash equivalents, beginning of year	1,633,550	1,240,835
Cash and cash equivalents, end of year	\$ 1,416,774	\$ 1,633,550
Supplemental Disclosures of Cash Flow Information		
Noncash investing transactions		
Donated equipment	\$ 22,049	\$ 68,157
Donated investments	\$ 12,436	\$ 8,293

See notes to the financial statements.

League of Women Voters Education Fund

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: League of Women Voters Education Fund (the Education Fund) was established in 1957 as a charitable trust dedicated to strengthening citizen knowledge of, and involvement in, government. The Education Fund is a controlled affiliate of League of Women Voters of the United States (LWVUS). The Education Fund works to increase public understanding of major public policy issues and to promote awareness of the options available in government decision-making. The Education Fund provides a variety of educational services, research, publications and conferences on public policy issues and on techniques to enable citizens to take part more effectively in the democratic process. The Education Fund also provides nonpartisan election services. These activities are funded primarily through grants and contributions.

Income taxes: The Education Fund is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation within the meaning of Section 509(a)(1) of the Internal Revenue Code. The Education Fund has also filed an election regarding lobbying expense limits under Section 501(h) of the Internal Revenue Code.

The Education Fund believes that it has appropriate support for income tax positions taken. Therefore, management has not identified any uncertain income tax positions. At a minimum, income tax returns related to the years ended June 30, 2010 through 2013 remain open for examination by taxing authorities.

Basis of accounting: The Education Fund prepares its financial statements on the accrual basis of accounting. Consequently, revenue, other than contributions, is recognized when earned and expense when the obligation is incurred.

Use of estimates: Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and cash equivalents: For financial statement purposes, the Education Fund considers demand deposits, excess cash invested in overnight repurchase agreements, and money market funds held within the investment portfolio to be cash and cash equivalents.

Contributions: Contributions, including grants, are recorded as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily restricted net assets or permanently restricted net assets. Within temporarily restricted net assets, amounts are reclassified to unrestricted net assets when the restriction expires.

The Education Fund recognizes bequests in the year the probate court declares the will valid and the amount of proceeds is measurable. Bequests are included in grants and contributions in the accompanying statements of activities.

League of Women Voters Education Fund

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Program services: Program service descriptions are as follows:

Election services: The election services function includes activities that are devoted to informing the public about voter registration and the importance of voting and providing candidate information.

Civic engagement: The civic engagement function includes activities that empower people to monitor government activities, promote transparency, and nurture generations of active, informed citizens.

Advocacy: The advocacy function includes lobbying and other activities to promote political responsibility through informed and active participation of citizens in government and to promote action on selected issues.

Judicial independence: The judicial independence function includes activities that increase citizen understanding of the vital need for a vibrant and independent judiciary to protect the integrity of our democracy and the rights of all Americans.

International programs: The international programs function includes activities that increase citizen participation in the democratic process in other countries.

Communications: The communications function includes activities to maintain the League's website, prepare and disseminate materials and publications which promote political awareness and responsibility and which address selected issues.

Supporting services: Supporting service descriptions are as follows:

Fund raising: The fund raising function includes activities that encourage and secure financial support for the Education Fund.

General and administrative: The general and administrative function includes activities necessary for the administrative processes of the Education Fund such as maintaining the administrative offices and managing financial responsibilities.

Functional allocation of expenses: The costs of providing various program and supporting services activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Subsequent events: Subsequent events have been evaluated through September 30, 2013, which is the date the financial statements were available to be issued.

League of Women Voters Education Fund

Notes to the Financial Statements

B. CONCENTRATIONS AND RESTRICTED CASH

Concentration of credit risk: The Education Fund maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. Government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to the Education Fund.

Concentration of market risk: The Education Fund also invests funds in a professionally managed portfolio of marketable securities. Such investments are exposed to market and credit risks. Therefore, the Education Fund's investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Restricted cash: The Education Fund's cash and cash equivalents include restricted amounts representing contributions held on behalf of state and local Leagues. Restricted cash amounted to \$450,180 and \$453,333 as of June 30, 2013 and 2012, respectively.

C. INVESTMENTS

In accordance with generally accepted accounting principles, the Education Fund uses the following prioritized input levels to measure fair value of investments. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2 – Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Common stocks and mutual funds, which were classified in Level 1, were valued based on quoted prices in active markets. Corporate bonds, which were classified in Level 2, were valued by pricing vendors using outside data. In determining fair value of the investments, the pricing vendors use a market approach to obtain pricing spreads based on the credit risk of the issuer, maturity, current yield, and other terms and conditions of each security. Management believes the estimated fair values to be a reasonable approximation of the exit price for these investments.

League of Women Voters Education Fund

Notes to the Financial Statements

C. INVESTMENTS - CONTINUED

The following is a summary of the input levels used to determine fair values of investments, which are measured on a recurring basis, at June 30,:

2013	Total	Level 1	Level 2	Level 3
Common stocks	\$ 4,041,904	\$ 4,041,904	\$ -	\$ -
Corporate bonds	165,697		165,697	
Mutual funds - fixed income	86,723	86,723		
Mutual funds - equities	236,903	236,903		
	\$ 4,531,227	\$ 4,365,530	\$ 165,697	\$ -

2012	Total	Level 1	Level 2	Level 3
Common stocks	\$ 3,442,541	\$ 3,442,541	\$ -	\$ -
Corporate bonds	320,671		320,671	
Mutual funds - fixed income	87,488	87,488		
Mutual funds - equities	191,405	191,405		
	\$ 4,042,105	\$ 3,721,434	\$ 320,671	\$ -

Investment income (loss) consists of the following for the years ended June 30,:

	2013	2012
Interest and dividends income	\$ 105,133	\$ 104,648
Net gain (loss) on investments	<u>639,394</u>	<u>(212,929)</u>
	\$ 744,527	\$ (108,281)

	2013	2012
Unrestricted	\$ 634,533	\$ (170,281)
Temporarily restricted	<u>109,994</u>	<u>62,000</u>
	\$ 744,527	\$ (108,281)

League of Women Voters Education Fund

Notes to the Financial Statements

D. GRANTS AND CONTRIBUTIONS RECEIVABLE

Unconditional promises to give grants and contributions that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give grants and contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. In particular, the discount relates to the Education Fund's interest in the pooled income fund and is calculated using a rate of 8.75%. The Education Fund uses the direct write off method for uncollectible accounts after all attempts at collection have been made. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for uncollectible accounts was recorded.

Unconditional grants and contributions receivable consist of the following at June 30,:

	2013	2012
Receivable in less than one year	\$ 14,928	\$ 96,356
Receivable in one to five years	-	10,732
Receivable in more than five years	51,981	53,901
	<u>66,909</u>	<u>160,989</u>
Less discount to present value	<u>(31,156)</u>	<u>(34,683)</u>
	<u>\$ 35,753</u>	<u>\$ 126,306</u>

Furthermore, unconditional grants and contributions receivable are comprised of the following categories at June 30,:

	2013	2012
Commitments to support program efforts	\$ 14,928	\$ 91,360
Pooled income fund		
Interest in pooled income fund, at fair value	51,981	69,629
Less discount to present value	<u>(31,156)</u>	<u>(34,683)</u>
	<u>20,825</u>	<u>34,946</u>
	<u>\$ 35,753</u>	<u>\$ 126,306</u>

League of Women Voters Education Fund

Notes to the Financial Statements

E. SPLIT-INTEREST AGREEMENTS

The Education Fund's split-interest agreements with donors consist of pooled income funds and charitable gift annuities. A commercial bank serves as the trustee which invests the underlying assets and makes payments to donors and/or beneficiaries in accordance with the respective agreements. The Education Fund's financial statements report the estimated future receipts from pooled income funds and the payments to beneficiaries of charitable gift annuities at net present value.

Pooled income funds: The cash and investment assets relating to the pooled income funds totaled \$117,620 and \$135,551 at June 30, 2013 and 2012, respectively. Contribution revenue for pooled income funds is recognized upon establishment of the agreement at the fair value of the estimated future receipts discounted for the estimated time period to complete the agreement. The net present value of the Education Fund's interest in the pooled income funds totaled \$20,825 and \$34,946 at June 30, 2013 and 2012, respectively, and is included in grants and contributions receivable.

Charitable gift annuities: The cash and investment assets underlying the charitable gift annuities totaled \$252,459 and \$231,870 at June 30, 2013 and 2012, respectively. Contribution revenue for charitable gift annuities is recognized at the date the agreement is established, net of the liability recorded for the present value of the estimated future payments to be made to the respective donors and/or beneficiaries. The net present value of the League's obligation under charitable gift annuities totaled \$8,066 and \$8,696 at June 30, 2013 and 2012, respectively.

F. PROPERTY AND EQUIPMENT

Acquisitions of furniture and equipment greater than \$500 and software greater than \$400 are recorded at cost and depreciated or amortized using the straight-line method over the following useful lives: furniture and equipment – three to five years. Donated fixed assets are recorded at fair value as of the date of the donation and are depreciated on a straight-line basis using the applicable useful life.

Property and equipment consists of the following at June 30,:

	2013	2012
Furniture and equipment	\$ 147,709	\$ 86,212
Less accumulated depreciation and amortization	<u>(63,894)</u>	<u>(27,521)</u>
	<u>\$ 83,815</u>	<u>\$ 58,691</u>

League of Women Voters Education Fund

Notes to the Financial Statements

G. RELATED PARTY TRANSACTIONS

League of Women Voters of the United States (the League) is a nonpartisan membership organization that encourages the informed and active participation of citizens in government, works to increase understanding of major public policy issues, and influences public policy through education and advocacy. The League is exempt from the payment of income taxes on its exempt activities under Section 501(c)(4) of the Internal Revenue Code. The Education Fund is a controlled affiliate of the League. Therefore, the Education Fund and the League are consolidated for financial statement purposes in a separate report.

The Education Fund shares certain operating costs such as administration, fund raising and office space with the League. Shared costs are primarily allocated based on employee effort or space used and the Education Fund reimburses the League for shared costs. Personnel expenses include retirement expenses totaling \$44,324 and \$24,170 for the years ended June 30, 2013 and 2012, respectively, and relate to the League's noncontributory defined contribution plan.

The following schedule summarizes related party transactions for the years ended June 30,:

	2013	2012
Personnel expenses	\$ 1,582,632	\$ 1,489,468
Rent	169,389	169,015
Other shared expenses	<u>289,046</u>	<u>144,272</u>
	<u>\$ 2,041,067</u>	<u>\$ 1,802,755</u>

The following schedule summarizes the change in the amount due to the League at June 30,:

	2013	2012
Balance, at beginning of year	\$ 646,733	\$ 336,693
Related party transactions	2,041,067	1,802,755
Reimbursements and contribution*	<u>(1,847,937)</u>	<u>(1,492,715)</u>
Balance, at end of year	<u>\$ 839,863</u>	<u>\$ 646,733</u>

* During the years ended June 30, 2013 and 2012, the League provided a contribution to the Education Fund totaling \$65,527 and \$179,647, respectively, which was used by the Education Fund in the election services program.

League of Women Voters Education Fund

Notes to the Financial Statements

H. NET ASSETS

Unrestricted: Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. The Education Fund's unrestricted net assets include the following undesignated and designated categories at June 30,:

	2013	2012
Board designated for endowment	\$ 3,134,764	\$ 2,738,044
Board designated for operating reserve	443,319	414,466
Available for operations	148,024	349,004
Invested in property and equipment	83,815	58,691
Leadership fund	-	8,258
	<u>\$ 3,809,922</u>	<u>\$ 3,568,463</u>

Temporarily restricted: Temporarily restricted net assets include those net assets whose use by the Education Fund has been donor restricted by specified time or program restrictions. The Education Fund's temporarily restricted net assets include the following categories at June 30,:

	2013	2012
General education programs	\$ 210,553	\$ 335,684
Ruth S. Shur Leadership Institute fund	53,875	15,913
Nikki Harris Online Training fund	44,878	34,846
Pooled income fund	20,825	34,946
Judicial independence programs	-	54,658
	<u>\$ 330,131</u>	<u>\$ 476,047</u>

League of Women Voters Education Fund

Notes to the Financial Statements

H. NET ASSETS - CONTINUED

When restrictions expire due to the passage of time or due to the satisfaction of the donor-restricted purpose, amounts are released from restriction and reclassified to unrestricted net assets. The Education Fund's net assets released from restriction include the following categories for the years ended June 30,:

	2013	2012
General education programs	\$ 647,934	\$ 923,116
Leadership fund	80,240	-
Judicial independence programs	54,658	166,876
Ruth S. Shur Leadership Institute fund	50,000	104,775
Pooled income fund	16,590	21,347
Nikki Harris Online Training fund	12,000	16,186
Privatization study	-	7,657
	<u>\$ 861,422</u>	<u>\$ 1,239,957</u>

Permanently restricted net assets: Permanently restricted net assets are required by donor stipulation to be maintained in perpetuity by the Education Fund. The Education Fund's permanently restricted net assets include the following categories at June 30, 2013 and 2012:

Ruth S. Shur Leadership Institute fund	\$ 500,000
Nikki Harris Online Training fund	100,000
General Endowment fund	69,075
	<u>\$ 669,075</u>

League of Women Voters Education Fund

Notes to the Financial Statements

I. ENDOWMENTS

The Education Fund's endowments include both funds designated by the Board of Trustees to function as endowments (classified within unrestricted net assets) and traditional donor-restricted endowment funds (classified within permanently restricted net assets). As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Education Fund has interpreted the *Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA)*, enacted by the District of Columbia, as requiring the preservation of the real (inflation-adjusted) purchasing power of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Education Fund classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, and (4) endowment investment return in excess of the endowment payout. Donor-restricted endowment funds that are not classified as permanently restricted net assets are classified as temporarily restricted net assets until amounts are appropriated for expenditure by the Education Fund in a manner consistent with the standard of prudence prescribed by UPMIFA.

Return Objectives and Risk Parameters

The Education Fund's Board of Trustees has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the Board of Trustees, endowment assets are invested in a manner that is intended to produce returns higher than specified market indices while assuming a moderate level of risk. The Education Fund expects its endowment funds to exceed the average annual return of these indices on a risk-adjusted basis over a three-year rolling time period and a full market cycle.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Education Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Education Fund 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Education Fund has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value from the trailing three years to be distributed annually. In establishing this policy, the Education Fund considered the long-term expected return on its endowment. This is consistent with the Education Fund's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

League of Women Voters Education Fund

Notes to the Financial Statements

I. ENDOWMENTS - CONTINUED

The Education Fund's endowments consisted of the following at June 30,:

2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated for endowment	\$ 3,134,764	\$ -	\$ -	\$ 3,134,764
Ruth S. Shur Leadership Institute fund		53,875	500,000	553,875
Nikki Harris Online Training fund		44,878	100,000	144,878
General Endowment fund			69,075	69,075
	\$ 3,134,764	\$ 98,753	\$ 669,075	\$ 3,902,592

2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated for endowment	\$ 2,738,044	\$ -	\$ -	\$ 2,738,044
Ruth S. Shur Leadership Institute fund		15,913	500,000	515,913
Nikki Harris Online Training fund		34,846	100,000	134,846
General Endowment fund			69,075	69,075
	\$ 2,738,044	\$ 50,759	\$ 669,075	\$ 3,457,878

Changes in endowment net assets consist of the following for the year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowments, July 1, 2012	\$ 2,738,044	\$ 50,759	\$ 669,075	\$ 3,457,878
Contributions				-
Interest and dividends	61,531	14,956		76,487
Net gain on investments	390,988	95,038	-	486,026
Total investment return	452,519	109,994	-	562,513
Appropriations	(234,276)	(62,000)		(296,276)
Transfers*	178,477			178,477
Endowments, June 30, 2013	\$ 3,134,764	\$ 98,753	\$ 669,075	\$ 3,902,592

League of Women Voters Education Fund

Notes to the Financial Statements

I. ENDOWMENTS - CONTINUED

Changes in endowment net assets consist of the following for the year ended June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowments, July 1, 2011	\$ 2,848,579	\$ 109,048	\$ 669,075	\$ 3,626,702
Contributions		672		672
Interest and dividends	(21,977)	8,177		(13,800)
Net (loss) gain on investments	(144,671)	53,823	-	(90,848)
Total investment return	(166,648)	62,000	-	(104,648)
Appropriations		(120,961)		(120,961)
Transfers*	56,113			56,113
Endowments, June 30, 2012	\$ 2,738,044	\$ 50,759	\$ 669,075	\$ 3,457,878

* Transfers into unrestricted net assets represent additional board designations for the endowment.