

Financial Statements Together with  
Report of Independent Certified Public Accountants

**IEEE FOUNDATION, INCORPORATED**

December 31, 2015 and 2014

# IEEE FOUNDATION, INCORPORATED

## TABLE OF CONTENTS

---

	<b>Page(s)</b>
Report of Independent Certified Public Accountants	1 - 2
Financial Statements:	
Statements of Financial Position as of December 31, 2015 and 2014	3
Statement of Activities for the year ended December 31, 2015	4
Statement of Activities for the year ended December 31, 2014	5
Statements of Cash Flows for the years ended December 31, 2015 and 2014	6
Notes to Financial Statements	7 - 18



Grant Thornton LLP  
186 Wood Avenue  
Iselin, NJ 08830  
T 732.516.5500  
F 732.516.5502  
[GrantThornton.com](http://GrantThornton.com)  
[linkd.in/GrantThorntonUS](https://www.linkedin.com/company/grantthorntonus)  
[twitter.com/GrantThorntonUS](https://twitter.com/GrantThorntonUS)

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors

**IEEE Foundation, Incorporated:**

We have audited the accompanying financial statements of IEEE Foundation, Incorporated (the “Foundation”), which comprise the statements of financial position as of December 31, 2015 and 2014, 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 from 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 Foundation’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 Foundation’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 IEEE Foundation, Incorporated as of December 31, 2015 and 2014, 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.

*Grant Thornton LLP*

Iselin, New Jersey

April 4, 2016

**IEEE FOUNDATION, INCORPORATED**  
**Statements of Financial Position**  
**As of December 31, 2015 and 2014**

<b>ASSETS</b>	<b>2015</b>	<b>2014</b>
Cash and cash equivalents	\$ 7,054,661	\$ 5,955,570
Amounts due from IEEE	150,532	370,598
Contributions receivables, net	710,099	960,627
Prepaid expenses and other assets	63,599	61,533
Investments, at fair value	32,628,903	34,638,979
Beneficial interest in trust	2,767,190	2,795,036
Assets held in trust for others	<u>395,242</u>	<u>427,500</u>
Total assets	<u>\$ 43,770,226</u>	<u>\$ 45,209,843</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accrued expenses	\$ 29,247	\$ 65,415
Awards and grants payable	1,906,762	1,322,241
Amounts due to IEEE	221,102	60,567
Liability for amounts held for others	<u>395,242</u>	<u>427,500</u>
Total liabilities	<u>2,552,353</u>	<u>1,875,723</u>
 Contingencies		
<b>NET ASSETS</b>		
Unrestricted	16,682,508	18,063,478
Temporarily restricted	24,399,506	25,134,783
Permanently restricted	<u>135,859</u>	<u>135,859</u>
Total net assets	<u>41,217,873</u>	<u>43,334,120</u>
Total liabilities and net assets	<u>\$ 43,770,226</u>	<u>\$ 45,209,843</u>

*The accompanying notes are an integral part of these financial statements.*

**IEEE FOUNDATION, INCORPORATED**  
**Statement of Activities**  
**For the year ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES</b>				
Contributions, including contributed services of \$1,129,100	\$ 2,185,498	\$ 2,331,040	\$ -	\$ 4,516,538
Change in fair value of beneficial interest in trust	-	(27,846)	-	(27,846)
Investment loss	(165,475)	(232,223)	-	(397,698)
Net assets released from restrictions	2,806,248	(2,806,248)	-	-
Total revenues	<u>4,826,271</u>	<u>(735,277)</u>	<u>-</u>	<u>4,090,994</u>
<b>EXPENSES</b>				
Program services:				
Signature Programs:				
IEEE Power & Energy Society Scholarship Plus Program	747,331	-	-	747,331
IEEE Smart Village	515,374	-	-	515,374
EPICS in IEEE	213,001	-	-	213,001
IEEE REACH	128,700	-	-	128,700
Recognition of Innovation	1,304,651	-	-	1,304,651
Investing in Innovation	253,657	-	-	253,657
Empowering Bright Minds:				
IEEE-Eta Kappa Nu Fund Support	236,502	-	-	236,502
Other-Educational Programs	486,559	-	-	486,559
IEEE History Center Support	228,254	-	-	228,254
Total program services	<u>4,114,029</u>	<u>-</u>	<u>-</u>	<u>4,114,029</u>
Supporting services:				
Administrative	925,899	-	-	925,899
Fundraising activities	1,167,313	-	-	1,167,313
Total supporting services	<u>2,093,212</u>	<u>-</u>	<u>-</u>	<u>2,093,212</u>
Total expenses	<u>6,207,241</u>	<u>-</u>	<u>-</u>	<u>6,207,241</u>
Changes in net assets	(1,380,970)	(735,277)	-	(2,116,247)
Net assets, beginning of year	<u>18,063,478</u>	<u>25,134,783</u>	<u>135,859</u>	<u>43,334,120</u>
Net assets, end of year	<u>\$ 16,682,508</u>	<u>\$ 24,399,506</u>	<u>\$ 135,859</u>	<u>\$ 41,217,873</u>

*The accompanying notes are an integral part of this financial statement.*

**IEEE FOUNDATION, INCORPORATED**  
**Statement of Activities**  
**For the year ended December 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES</b>				
Contributions, including contributed services of \$899,000	\$ 2,032,607	\$ 3,398,218	\$ -	\$ 5,430,825
Change in fair value of beneficial interest in trust	-	125,488	-	125,488
Investment income	1,133,687	1,087,275	-	2,220,962
Net assets released from restrictions	<u>2,130,247</u>	<u>(2,130,247)</u>	-	<u>-</u>
Total revenues	<u>5,296,541</u>	<u>2,480,734</u>	<u>-</u>	<u>7,777,275</u>
<b>EXPENSES</b>				
Program services:				
Signature Programs:				
IEEE Power & Energy Society Scholarship Plus Program	702,007	-	-	702,007
IEEE Smart Village	111,870	-	-	111,870
Recognition of Innovation	1,358,778	-	-	1,358,778
Investing in Innovation	832,490	-	-	832,490
Empowering Bright Minds:				
IEEE-Eta Kappa Nu Fund Support	132,129	-	-	132,129
Other-Educational Programs	292,948	-	-	292,948
IEEE History Center Support	<u>271,407</u>	<u>-</u>	<u>-</u>	<u>271,407</u>
Total program services	<u>3,701,629</u>	<u>-</u>	<u>-</u>	<u>3,701,629</u>
Supporting services:				
Administrative	1,005,829	-	-	1,005,829
Fundraising activities	<u>955,854</u>	<u>-</u>	<u>-</u>	<u>955,854</u>
Total supporting services	<u>1,961,683</u>	<u>-</u>	<u>-</u>	<u>1,961,683</u>
Total expenses	<u>5,663,312</u>	<u>-</u>	<u>-</u>	<u>5,663,312</u>
Changes in net assets	(366,771)	2,480,734	-	2,113,963
Net assets, beginning of year	<u>18,430,249</u>	<u>22,654,049</u>	<u>135,859</u>	<u>41,220,157</u>
Net assets, end of year	<u>\$ 18,063,478</u>	<u>\$ 25,134,783</u>	<u>\$ 135,859</u>	<u>\$ 43,334,120</u>

*The accompanying notes are an integral part of this financial statement.*

**IEEE FOUNDATION, INCORPORATED**  
**Statements of Cash Flows**  
For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (2,116,247)	\$ 2,113,963
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Net realized and unrealized losses (gains) from investments	1,193,308	(1,466,064)
Change in fair value of beneficial interest in trust	27,846	(125,488)
Donated stock	(120,251)	(2,080)
Proceeds from sale of donated stock	120,605	2,065
Changes in assets and liabilities:		
Decrease in contributions receivables	250,528	188,645
Decrease (increase) in amounts due from IEEE	220,066	(225,360)
Increase in prepaid expenses and other assets	(2,066)	(8,535)
Decrease (increase) in assets held in trust for others	32,258	(1,844)
(Decrease) increase in accrued expenses	(36,168)	44,092
Increase in awards and grants payable	584,521	419,268
Increase in amounts due to IEEE	160,535	32,440
(Decrease) increase in liability for amounts held for others	(32,258)	1,844
Net cash provided by operating activities	<u>282,677</u>	<u>972,946</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	1,413,564	410,109
Purchase of investments	<u>(597,150)</u>	<u>(1,323,162)</u>
Net cash provided by (used in) investing activities	<u>816,414</u>	<u>(913,053)</u>
Net increase in cash and cash equivalents	1,099,091	59,893
Cash and cash equivalents at beginning of year	<u>5,955,570</u>	<u>5,895,677</u>
Cash and cash equivalents at end of year	<u>\$ 7,054,661</u>	<u>\$ 5,955,570</u>

*The accompanying notes are an integral part of these financial statements.*



# IEEE FOUNDATION, INCORPORATED

## Notes to Financial Statements

December 31, 2015 and 2014

---

### 1. IEEE FOUNDATION, INCORPORATED

IEEE Foundation, Incorporated (the “Foundation”) performs activities solely in support of the scientific and educational functions and programs of The Institute of Electrical and Electronics Engineers, Incorporated (the “Institute,” or “IEEE”).

**Our Vision:** The Foundation is a leader in transforming lives through the power of technology and education.

**Our Mission:** The Foundation enables IEEE programs that enhance technology access, literacy, and education; supports the IEEE professional community; and inspires the generosity of donors.

#### Components of Program Services

##### Signature Programs

At the heart of the Foundation's work are Signature Programs -- each one delivering immediate impact coupled with long-term growth in intellectual capital, human resources capacity, and technological literacy.

*IEEE Power & Energy Society Scholarship Plus Program* addresses the crucial challenge facing the field of power and energy due to the impending shortfall of qualified power engineers needed to sustain and transform electric energy systems. Through this program, highly vetted undergraduate students in the U.S., Canada and Puerto Rico receive scholarships toward their education and invaluable real world experience through internship and co-op opportunities in the power and energy industry.

*IEEE Smart Village* empowers local entrepreneurs to transform lives in remote off-grid communities through renewable energy and technology. A member group of the IEEE Power & Energy Society, IEEE Smart Village is committed to the open-source design and delivery of energy solutions to the world's poorest and most energy-deprived populations.

##### *Newly Supported Signature Programs in 2015:*

*EPICS in IEEE* empowers students to work with local service organizations to apply technical knowledge to implement solutions for a community's unique challenges. In this way, EPICS in IEEE assists communities in achieving their specific local community improvement goals and encourages students to pursue engineering for community improvement as a career. An IEEE Educational Activities program, EPICS in IEEE connects engineering with community service in four categories of community improvement effort: Access and Abilities -- Education and Outreach -- Environment -- Human Services.

*IEEE REACH* - Raising Engineering Awareness through the Conduit of History (REACH), a program of IEEE History Center, is producing free educational resources that high school teachers may use to instruct students about the history of technology and the role engineers play in society. The resources developed will enhance the capabilities of high school teachers, excite their students, and help answer an important question: How have scientific and technological developments through history changed the way people live and the way economies and governments function?

# IEEE FOUNDATION, INCORPORATED

## Notes to Financial Statements

December 31, 2015 and 2014

---

### **Recognition of Innovation**

For nearly 100 years, IEEE has recognized and celebrated the technical professionals whose exceptional contributions inspire us all through the lasting impact their work has had on technology, society, the engineering profession, and humanity through the presentation of peer-to-peer recognitions. The portfolio of IEEE awards supported through the Foundation is vast and includes IEEE's many technical and professional communities worldwide.

### **Investing in Innovation**

The IEEE Foundation Grants Program invites grant applications exclusively from IEEE organizational units for projects that address the pre-defined theme identified by the Foundation each year. The theme aligns with the Foundation's mission to "enable IEEE programs that enhance technology access, literacy, and education." This highly competitive program invests in innovative and promising IEEE projects.

### **Empowering Bright Minds**

Each year, the Foundation empowers hundreds of bright young minds and encourages the next generation of electrical engineers through a variety of scholarships, fellowships and travel grants to attend IEEE conferences as well as educational programs that promote science, technology, engineering and mathematics.

*IEEE-Eta Kappa Nu (IEEE-HKN)* - the IEEE honor society - recognizes and encourages engineering students, alumni and professionals who have achieved excellence in the IEEE technical fields of interest and demonstrate the ideals of Scholarship, Character and Attitude.

### **IEEE History Center Support**

The IEEE History Center records, archives and educates the public about the nature of technology and its relationship, both past and present, to society. Through its programs, the Center promotes the rich history of technology; records & shares the memories of hundreds of technological icons; honors technological achievements through the IEEE Milestones in Electrical Engineering and Computing; and preserves the institutional heritage of IEEE. Its vast array of resources is delivered to the public through the Engineering & Technology History Wiki – [www.ethw.org](http://www.ethw.org), and other publicly available sources.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Presentation**

The Foundation's financial statements are presented in conformity with U.S. generally accepted accounting principles and have been prepared on the accrual basis of accounting.

### **Net Asset Classifications**

The Foundation's net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

*Unrestricted* - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by actions of the Board of Directors. Unrestricted net assets can be utilized to carry out any of the purposes of the Foundation.

# IEEE FOUNDATION, INCORPORATED

## Notes to Financial Statements

### December 31, 2015 and 2014

---

*Temporarily restricted* - represent amounts restricted by donors for specific activities of the Foundation or to be used at some future date. The Foundation records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions. However, when restrictions on donor-restricted contributions and investment return are met in the same accounting period, such amounts are reported as part of unrestricted net assets.

*Permanently restricted* - include funds wherein donors have stipulated that the principal contributed be invested and maintained in perpetuity. Income earned from these investments is available for expenditure according to restrictions imposed by the donors and consideration of the appropriation criteria by the Foundation, pursuant to the New York Prudent Management of Institutional Funds Act ("NYPMIFA").

#### **Cash and Cash Equivalents**

Cash and cash equivalents are defined as cash balances held in bank accounts and short-term investments held by the Foundation for operating use with original maturities of three months or less from the date of purchase. Included in cash and cash equivalents are amounts deposited in an IEEE concentration banking account in the amount of \$6,783,385 and \$5,835,806 at December 31, 2015 and 2014, respectively.

#### **Investments**

The Foundation's investments are invested almost entirely in the Institute's investment pool. The Foundation's assets held in the Institute's investment pool have a long-term investment horizon of approximately ten years. Realized gains and losses on sales of shares held in the pool are determined on an average cost basis. Purchases and sales of shares held in the pool are recorded on a trade-date basis.

Investments in limited partnerships that are not readily marketable are reported at fair value as determined by the respective investment manager as of the measurement date. Such valuations involve assumptions and methods that are reviewed by the Foundation and which have been concluded to be reasonable and appropriate. Because such investments are not readily marketable, their estimated fair value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material. However, the risk to the Foundation is limited to the amount of the Foundation's investment in each of the respective limited partnerships.

#### **Fair Value Measurements**

The Financial Accounting Standards Board ("FASB") Topic 820, under the FASB Accounting Standards Codification ("ASC") defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the respective asset or liability based on the best information available in

**IEEE FOUNDATION, INCORPORATED**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

---

the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.
- Level 3 - Securities that have little to no pricing observability as of the measurement date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the reporting entity. The Foundation considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument.

### **Contributions**

Contributions, including solicited contributions received at the time of the IEEE annual member renewal process and unconditional promises to give, are reported as revenues in the period received. Conditional contributions are recorded as revenue when the conditions on which they depend have been substantially met. Unconditional promises to give in greater than one year are discounted to reflect the present value of future cash flows using a credit adjusted discount rate assigned in the year the respective pledge originates. Such discount rates on all contributions receivable ranged from 1.38% to 3.49% at December 31, 2015 and 2014. Discount rates assigned to individual pledges are not subsequently revised. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. Because of the uncertainty surrounding the collection of certain pledges, the Foundation determines an allowance for doubtful accounts by specifically analyzing donor accounts, historical bad debts and current economic trends. These allowances are maintained at a level management considers adequate to provide for potential uncollectible accounts. Further, these estimates are reviewed periodically and adjusted as more information about the ultimate collectability of a respective pledge becomes available. The Foundation writes off any amounts that are no longer considered to be recoverable, and any payments subsequently received on such receivables are recorded as income in the period received.

**IEEE FOUNDATION, INCORPORATED**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

---

**Contributed Services**

Contributed services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and typically would need to be purchased if not otherwise provided by donation. Contributed services are recorded at the fair value of the services provided and are recorded on the statement of activities as revenues with an offset to the relevant functional expense benefitted in the period received. See also Note 9.

**Beneficial Interest in Trust**

The Foundation has a beneficial interest in a trust, which is administered by an independent financial institution. Under the terms of this trust, the Foundation has the irrevocable right to receive all of the income earned on the trust assets for the life of the trust. The Foundation does not control the assets held by the outside trust. The Foundation measures its beneficial interest in the trust at the fair value of the underlying investments held by the trust. The amount of the Foundation's beneficial interest in such trust is included in temporarily restricted net assets until such time as the provisions of the trust agreement allow the Foundation to receive the assets.

**Receivables Due from IEEE**

Amounts due from IEEE represent contributions restricted for the Foundation and collected by the Institute during the annual member renewal process.

**Amounts Due to IEEE**

Amounts due to IEEE represent expenses paid directly by IEEE on behalf of the Foundation.

**Awards and Grants Payable**

The Foundation recognizes a liability for grants to be paid in future periods when the Board of Directors approves such amounts unconditionally and the respective grantee is notified. Grants are payable as follows at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 1,861,075	\$ 1,170,999
One to three years	<u>45,687</u>	<u>151,242</u>
	<u>\$ 1,906,762</u>	<u>\$ 1,322,241</u>

For the years ended December 31, 2015 and 2014, the Foundation rescinded approximately \$129,000 and \$95,000, respectively, of grant commitments. As of December 31, 2015 and 2014, \$1,507,925 and \$599,140, respectively, of awards and grants payable are due to the Institute.

**Income Taxes and Tax Status**

The Foundation follows the provisions of ASC 740, *Income Taxes*. ASC 740-10 clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This section provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the

**IEEE FOUNDATION, INCORPORATED**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

---

tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Foundation is qualified under Section 501(c)(3) of the Internal Revenue Code (“IRC”) as an organization exempt from federal income tax and applicable state income tax and is classified as other than a private foundation under Section 509(a)(1) of the IRC. Nevertheless, the Foundation may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The tax years ended December 31, 2012, 2013, 2014 and 2015 are still open to audit for both federal and state purposes. As of December 31, 2015, management has determined that there are no uncertain tax positions that would require recognition or disclosure in the financial statements.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis on the accompanying statements of activities. These expenses can be directly identified with the program or supporting service to which they relate and are charged accordingly.

**Fair Value of Financial Instruments**

The carrying value of cash and cash equivalents and accrued expenses represent a reasonable estimate of their fair value due to their short-term nature or relative market liquidity. The carrying amounts of the Foundation’s investments approximate fair value. The fair value of the beneficial interests in trust is approximated by the Foundation’s share of the fair value of the underlying assets held by the trust as of the measurement date. The carrying value of contributions receivable is estimated based on the present value of expected future cash flows, and thus approximates fair value.

**Risks and Uncertainties**

The Foundation has substantially all of its investments held in the Institute’s investment pool which invests in several investment securities that are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term. Such changes could materially affect the amounts reported on the accompanying financial statements.

**Use of Estimates**

The 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

The Foundation evaluated its December 31, 2015 financial statements for subsequent events through April 4, 2016, the date the financial statements were available to be issued. The Foundation is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.

**IEEE FOUNDATION, INCORPORATED**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

---

**3. CONTRIBUTIONS RECEIVABLE, NET**

Contributions receivable, net, at December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Pledges receivable - IEEE Power & Energy Society		
Scholarship Plus Program	\$ 479,698	\$ 909,252
Pledges receivable - EPICS in IEEE	100,247	138
Pledges receivable - Other	<u>134,503</u>	<u>62,868</u>
	714,448	972,258
Less: Discount for present value	<u>(4,349)</u>	<u>(11,631)</u>
Contributions receivable, net	<u>\$ 710,099</u>	<u>\$ 960,627</u>

As of December 31, 2015 and 2014, receivables due in less than one year and between one and five years totaled \$539,448 and \$175,000 and \$522,258 and \$450,000, respectively.

During 2015, the Foundation received notification of certain intentions to give. However, due to their conditional nature, such gifts have not been reflected on the accompanying financial statements.

**4. INVESTMENTS, AT FAIR VALUE**

Investments, at fair value, at December 31, 2015 and 2014 consist of the following:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Limited partnerships	\$ 100,000	\$ 85,805	\$ 296,891	\$ 267,355
Participation in the Institute's investment pool	<u>25,897,398</u>	<u>32,543,098</u>	<u>26,268,816</u>	<u>34,371,624</u>
	<u>\$ 25,997,398</u>	<u>\$ 32,628,903</u>	<u>\$ 26,565,707</u>	<u>\$ 34,638,979</u>

The Foundation's investments consist primarily of participation in the Institute's investment pool. The Institute's investment pool consists of investments carried at fair value generally determined on the basis of quoted market prices on active exchanges as of the measurement date. These investments are primarily held in common stock and mutual funds which are measured at fair value based on Level 1 inputs. At December 31, 2015 and 2014, the fair value of the Institute's investment pool's investments were based 92% on Level 1 inputs and 8% on Level 2 inputs. The Foundation's participation in the Institute's investment pool is determined based on its pro-rata ownership interest of the entire pool.

**IEEE FOUNDATION, INCORPORATED**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

The fair value of the Foundation's investments in limited partnerships is measured at the liquidation value stated in the respective investment's prospectus. As of December 31, 2015, there are no remaining unfunded commitments on these investments. In August 2015, one limited partnership investment was redeemed for approximately \$160,500, resulting in a realized loss of approximately \$36,000 for the year ended December 31, 2015. The Foundation plans to liquidate its remaining limited partnership investment during its next exit window, which may occur as late as 2028.

The following tables prioritize the inputs used to measure and report the fair value of the Foundation's investments at December 31, 2015 and 2014, respectively:

	<b>2015</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Limited partnership	\$ -	\$ -	\$ 85,805	\$ 85,805
Participation in the Institute's investment pool	-	-	32,543,098	32,543,098
Total investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,628,903</u>	<u>\$ 32,628,903</u>

  

	<b>2014</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Limited partnerships	\$ -	\$ -	\$ 267,355	\$ 267,355
Participation in the Institute's investment pool	-	-	34,371,624	34,371,624
Total investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,638,979</u>	<u>\$ 34,638,979</u>

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the years ended December 31, 2015 and 2014.

	<b>2015</b>	<b>2014</b>
<b>Balance, beginning of the year</b>	\$ 34,638,979	\$ 32,259,847
Purchases	597,150	1,323,162
Sales	(1,413,564)	(410,109)
Net realized and unrealized (losses) gains	<u>(1,193,662)</u>	<u>1,466,079</u>
<b>Balance, end of year</b>	<u>\$ 32,628,903</u>	<u>\$ 34,638,979</u>

Net realized and unrealized (losses) gains are included within investment (loss) income on the accompanying statements of activities.



**IEEE FOUNDATION, INCORPORATED**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

---

Investment (loss) income for the years ended December 31, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 795,610	\$ 754,898
Net realized gains	148,492	92,632
Net unrealized (losses) gains	<u>(1,341,800)</u>	<u>1,373,432</u>
Investment (loss) income	<u>\$ (397,698)</u>	<u>\$ 2,220,962</u>

External investment expenses are included in administrative expenses and amounted to \$108,130 and \$102,256 in 2015 and 2014, respectively.

**5. BENEFICIAL INTEREST IN TRUST**

The Foundation is the sole beneficiary of a trust (“Trust”) established by Alfred and Gertrude Goldsmith in 1988 with a financial institution. Under the terms of the Trust agreement, the Foundation shall receive the income of the Trust, which consists primarily of interest and dividends, on a quarterly basis, and the balance of the assets in the Trust in 2038.

As of December 31, 2015 and 2014, the Trust’s fair value totaled \$2,767,190 and \$2,795,036, respectively and is classified as Level 3 within the fair value hierarchy. The table below sets forth a summary of the change in the fair value of the Foundation’s Level 3 beneficial interest in trust for the years ended December 31, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
<b>Balance, beginning of the year</b>	\$ 2,795,036	\$ 2,669,548
Change in fair value of beneficial interest in trust	<u>(27,846)</u>	<u>125,488</u>
<b>Balance, end of year</b>	<u>\$ 2,767,190</u>	<u>\$ 2,795,036</u>

The change in fair value of beneficial interest in trust is reflected separately on the accompanying statements of activities.

**6. ASSETS HELD IN TRUST FOR OTHERS**

During 2005, the Foundation was appointed the successor trustee of the Charles LeGeyt Fortescue Graduate Scholarship Fund (the “Trust Fund”). As of December 31, 2015 and 2014, the Trust Fund’s assets totaled \$395,242 and \$427,500, respectively, with \$384,599 and \$417,825 invested in the Institute’s investment pool (classified as Level 3 within the fair value hierarchy), respectively, and \$10,643 and \$9,675 in cash equivalents, respectively. The Foundation is not a beneficiary of the Trust Fund and accordingly, has recognized a liability for the amounts held.

**IEEE FOUNDATION, INCORPORATED**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

---

The table below sets forth a summary of the change in the fair value of the Foundation's Level 3 assets held in trust for others for the years ended December 31, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
<b>Balance, beginning of the year</b>	\$ 417,825	\$ 414,942
Purchases	4,941	4,782
Withdrawals	(25,000)	(20,000)
Net realized and unrealized (depreciation) appreciation	<u>(13,167)</u>	<u>18,101</u>
<b>Balance, end of year</b>	<u>\$ 384,599</u>	<u>\$ 417,825</u>

The net realized and unrealized (depreciation) appreciation related to assets held for others has not been reflected on the accompanying statements of activities.

**7. NET ASSETS AND ENDOWMENT FUNDS**

Temporarily restricted net assets are available for the following purposes at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Funds held for specific purposes:		
Awards	\$ 10,047,276	\$ 10,261,680
Educational	<u>11,585,040</u>	<u>12,078,067</u>
	21,632,316	22,339,747
Beneficial interest in trust - time restriction	<u>2,767,190</u>	<u>2,795,036</u>
	<u>\$ 24,399,506</u>	<u>\$ 25,134,783</u>

Net assets were released from temporary restrictions by fulfillment of donor-imposed purpose restrictions or satisfaction of time restrictions for the years ended December 31, 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
Funds held for specific purposes:		
Awards	\$ 937,564	\$ 818,340
Educational	<u>1,868,684</u>	<u>1,311,907</u>
	<u>\$ 2,806,248</u>	<u>\$ 2,130,247</u>

Permanently restricted net assets at December 31, 2015 and 2014 consist of assets that have been restricted by donors to be invested in perpetuity to provide a permanent source of income. The Foundation's endowment includes both donor-restricted endowment funds and a fund designated by the Board of Directors to function as an endowment (quasi-endowment). The Foundation's donor-restricted endowment consists of five (5) individual funds established principally for awards.

**IEEE FOUNDATION, INCORPORATED**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

On September 17, 2010, the State of New York passed the New York State Prudent Management of Institutional Funds Act (“NYPMIFA”), its version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). All not-for-profit organizations formed in New York must apply this law. The Foundation classifies as permanently restricted net assets, unless otherwise stipulated by the donor: (a) the original value of gifts donated to its permanent endowment, (b) the original value of subsequent gifts to its permanent endowment and (c) accumulations to its permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds.

The remaining portion of the donor-restricted endowment fund not classified in permanently restricted net assets is classified as temporarily restricted net assets until such amounts are appropriated for expenditure by the Foundation in a manner consistent with the uses, benefits, purposes and duration for which the endowment is established and the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Foundation considers the following factors in making a determination to appropriate for expenditure or accumulate donor-restricted endowment funds: the purpose, duration, and preservation of the endowment fund; expected total return on endowment investments; general economic conditions; the possible effects of inflation and deflation; other resources of the Foundation; and, the investment policy of the Foundation.

The Foundation has adopted investment management and spending policies for endowment assets that support the objective of providing a sustainable and increasing level of endowment income distribution to support the Foundation’s activities while seeking to maintain the purchasing power of the endowment assets. The Foundation’s primary investment objective is preservation of capital with the secondary objective of maximizing the total returns on investment assets.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy, the objective of which is to achieve a return consisting of a combination of current income (interest and dividends) and capital appreciation, without regard to an emphasis on either, recognizing that changes in market conditions and interest rates will result in varying strategies in an attempt to optimize results. The endowment portfolio is diversified among various investment classes and strategies to help reduce risk.

The following table summarizes the Foundation’s total return on endowment investments and the changes in endowment net assets for the year ended December 31, 2015:

	<b>2015</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 61,984	\$ 135,859	\$ 197,843
Board-designated endowment fund	3,353,949	-	-	3,353,949
Total endowment assets	<u>\$ 3,353,949</u>	<u>\$ 61,984</u>	<u>\$ 135,859</u>	<u>\$ 3,551,792</u>
<b>Endowment assets, beginning of year</b>	\$ 3,567,904	\$ 70,251	\$ 135,859	\$ 3,774,014
Dividends and interest	68,728	4,053	-	72,781
Net realized and unrealized depreciation in fair value of endowment assets	(109,536)	(6,720)	-	(116,256)
New gifts - designated for endowment	15,700	-	-	15,700
Endowment return used for operations	(188,847)	(5,600)	-	(194,447)
<b>Endowment assets, end of year</b>	<u>\$ 3,353,949</u>	<u>\$ 61,984</u>	<u>\$ 135,859</u>	<u>\$ 3,551,792</u>

**IEEE FOUNDATION, INCORPORATED**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

The following table summarizes the Foundation's total return on endowment investments and the changes in endowment net assets for the year ended December 31, 2014:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 70,251	\$ 135,859	\$ 206,110
Board-designated endowment fund	3,567,904	-	-	3,567,904
Total endowment assets	<u>\$ 3,567,904</u>	<u>\$ 70,251</u>	<u>\$ 135,859</u>	<u>\$ 3,774,014</u>
<b>Endowment assets, beginning of year</b>	\$ 3,503,360	\$ 61,342	\$ 135,859	\$ 3,700,561
Dividends and interest	66,763	3,803	-	70,566
Net realized and unrealized appreciation in fair value of endowment assets	152,313	8,537	-	160,850
New gifts - designated for endowment	7,185	-	-	7,185
Endowment return used for operations	(161,717)	(3,431)	-	(165,148)
<b>Endowment assets, end of year</b>	<u>\$ 3,567,904</u>	<u>\$ 70,251</u>	<u>\$ 135,859</u>	<u>\$ 3,774,014</u>

**8. CONTINGENCIES**

The Foundation, in the normal course of its operations, could be a party to various legal proceedings and complaints, some of which would be covered by insurance. While it is not feasible to predict the ultimate outcomes of such matters, management of the Foundation is not aware of any claims or contingencies which, if asserted, would not be covered by insurance and would have a material adverse effect on the Foundation's financial position, changes in net assets or cash flows.

**9. RELATED-PARTY TRANSACTIONS**

The Foundation is organized and operates in support of activities of the scientific and educational functions and programs of IEEE. The Foundation has no staff and thus, receives certain accounting, administrative services, and program services from IEEE. The Foundation reimbursed IEEE for the cost of such services, which amounted to \$712,200 and \$686,000 during 2015 and 2014, respectively. The Institute provided fundraising administrative services (contributed services) during 2015 and 2014 that were not reimbursed by the Foundation. Such contributed services recorded by the Foundation totaled \$1,129,100 and \$899,000 during 2015 and 2014, respectively.

The Foundation received annual cash contributions from IEEE in the amounts of \$356,500 and \$445,000 during 2015 and 2014, respectively. During 2015, the Institute contributed an additional \$136,500 and \$135,000 for the newly launched IEEE History Center - History of IEEE Since 1984 and Claude E. Shannon's 100<sup>th</sup> Birthday Celebration Fund. During 2014, the Institute contributed an additional \$766,000 to the IEEE-Eta Kappa Nu Restricted Fund, \$500,000 to the IEEE Power & Energy Society Scholarship Program and \$500,000 to the IEEE Smart Village Program.

The Institute solicits contributions on behalf of the Foundation through its annual member renewal process, which totaled \$648,185 and \$610,971 in 2015 and 2014, respectively.