

Financial Statements Together with
Report of Independent Certified Public Accountants

IEEE FOUNDATION, INCORPORATED

December 31, 2017 and 2016

IEEE FOUNDATION, INCORPORATED

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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, 2017 and 2016, 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, 2017 and 2016, 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 12, 2018

IEEE FOUNDATION, INCORPORATED
Statements of Financial Position
As of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 8,137,695	\$ 6,808,935
Amounts due from IEEE	116,752	162,267
Contributions receivables, net	3,346,280	2,425,092
Prepaid expenses and other assets	87,188	79,445
Investments, at fair value	37,226,290	33,564,622
Beneficial interest in trust	3,311,271	2,900,450
Assets held in trust for others	<u>418,052</u>	<u>385,693</u>
Total assets	<u>\$ 52,643,528</u>	<u>\$ 46,326,504</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued expenses	\$ 124,794	\$ 48,062
Awards and grants payable	2,515,264	1,811,507
Amounts due to IEEE	74,108	65,079
Liability for amounts held for others	<u>418,052</u>	<u>385,693</u>
Total liabilities	<u>3,132,218</u>	<u>2,310,341</u>
Contingencies		
NET ASSETS		
Unrestricted	16,792,225	16,493,877
Temporarily restricted	32,583,226	27,386,427
Permanently restricted	<u>135,859</u>	<u>135,859</u>
Total net assets	<u>49,511,310</u>	<u>44,016,163</u>
Total liabilities and net assets	<u>\$ 52,643,528</u>	<u>\$ 46,326,504</u>

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

IEEE FOUNDATION, INCORPORATED
Statement of Activities
For the year ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Contributions, including contributed services of \$1,256,490	\$ 2,538,191	\$ 5,083,410	\$ -	\$ 7,621,601
Change in fair value of beneficial interest in trust	-	410,821	-	410,821
Investment income, net	2,261,325	2,995,273	-	5,256,598
Net assets released from restrictions	<u>3,292,705</u>	<u>(3,292,705)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>8,092,221</u>	<u>5,196,799</u>	<u>-</u>	<u>13,289,020</u>
EXPENSES				
Program services:				
IEEE Power & Energy Society Scholarship Plus Program	740,171	-	-	740,171
IEEE Smart Village	1,058,306	-	-	1,058,306
EPICS in IEEE	238,200	-	-	238,200
IEEE REACH	254,100	-	-	254,100
Recognition of Innovation	1,312,746	-	-	1,312,746
Investing in Innovation	428,816	-	-	428,816
IEEE-Eta Kappa Nu	277,150	-	-	277,150
Other-Educational Programs	790,506	-	-	790,506
IEEE History Center Support	<u>371,753</u>	<u>-</u>	<u>-</u>	<u>371,753</u>
Total program services	<u>5,471,748</u>	<u>-</u>	<u>-</u>	<u>5,471,748</u>
Supporting services:				
Administrative	906,278	-	-	906,278
Fundraising activities	<u>1,415,847</u>	<u>-</u>	<u>-</u>	<u>1,415,847</u>
Total supporting services	<u>2,322,125</u>	<u>-</u>	<u>-</u>	<u>2,322,125</u>
Total expenses	<u>7,793,873</u>	<u>-</u>	<u>-</u>	<u>7,793,873</u>
Changes in net assets	298,348	5,196,799	-	5,495,147
Net assets, beginning of year	<u>16,493,877</u>	<u>27,386,427</u>	<u>135,859</u>	<u>44,016,163</u>
Net assets, end of year	<u>\$ 16,792,225</u>	<u>\$ 32,583,226</u>	<u>\$ 135,859</u>	<u>\$ 49,511,310</u>

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

IEEE FOUNDATION, INCORPORATED
Statement of Activities
For the year ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Contributions, including contributed services of \$1,235,505	\$ 2,235,600	\$ 3,892,382	\$ -	\$ 6,127,982
Change in fair value of beneficial interest in trust	-	133,260	-	133,260
Investment income, net	1,194,324	1,402,464	-	2,596,788
Net assets released from restrictions	<u>2,441,185</u>	<u>(2,441,185)</u>	-	-
Total revenues	<u>5,871,109</u>	<u>2,986,921</u>	-	<u>8,858,030</u>
EXPENSES				
Program services:				
IEEE Power & Energy Society Scholarship Plus Program	269,757	-	-	269,757
IEEE Smart Village	437,000	-	-	437,000
EPICS in IEEE	325,200	-	-	325,200
IEEE REACH	313,000	-	-	313,000
Recognition of Innovation	1,255,906	-	-	1,255,906
Investing in Innovation	412,274	-	-	412,274
IEEE-Eta Kappa Nu	258,252	-	-	258,252
Other-Educational Programs	328,355	-	-	328,355
IEEE History Center Support	<u>279,638</u>	<u>-</u>	<u>-</u>	<u>279,638</u>
Total program services	<u>3,879,382</u>	<u>-</u>	<u>-</u>	<u>3,879,382</u>
Supporting services:				
Administrative	830,445	-	-	830,445
Fundraising activities	<u>1,349,913</u>	<u>-</u>	<u>-</u>	<u>1,349,913</u>
Total supporting services	<u>2,180,358</u>	<u>-</u>	<u>-</u>	<u>2,180,358</u>
Total expenses	<u>6,059,740</u>	<u>-</u>	<u>-</u>	<u>6,059,740</u>
Changes in net assets	(188,631)	2,986,921	-	2,798,290
Net assets, beginning of year	<u>16,682,508</u>	<u>24,399,506</u>	<u>135,859</u>	<u>41,217,873</u>
Net assets, end of year	<u>\$ 16,493,877</u>	<u>\$ 27,386,427</u>	<u>\$ 135,859</u>	<u>\$ 44,016,163</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 5,495,147	\$ 2,798,290
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized gains from investments	(4,374,535)	(1,812,801)
Change in fair value of beneficial interest in trust	(410,821)	(133,260)
Donated stock	(219,174)	(16,422)
Proceeds from sale of donated stock	217,888	16,296
Changes in assets and liabilities:		
Increase in contributions receivables	(921,188)	(1,714,993)
Decrease (increase) in amounts due from IEEE	45,515	(11,735)
Increase in prepaid expenses and other assets	(7,743)	(15,846)
(Increase) decrease in assets held in trust for others	(32,359)	9,549
Increase in accrued expenses	76,732	18,815
Increase (decrease) in awards and grants payable	703,757	(95,255)
Increase (decrease) increase in amounts due to IEEE	9,029	(156,023)
Increase (decrease) in liability for amounts held for others	32,359	(9,549)
	<u>614,607</u>	<u>(1,122,934)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,509,000	1,587,000
Purchase of investments	<u>(794,847)</u>	<u>(709,792)</u>
	<u>714,153</u>	<u>877,208</u>
Net cash provided by investing activities		
	<u>714,153</u>	<u>877,208</u>
Net increase (decrease) in cash and cash equivalents	1,328,760	(245,726)
Cash and cash equivalents at beginning of year	<u>6,808,935</u>	<u>7,054,661</u>
Cash and cash equivalents at end of year	<u>\$ 8,137,695</u>	<u>\$ 6,808,935</u>

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

IEEE FOUNDATION, INCORPORATED

Notes to Financial Statements

December 31, 2017 and 2016

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

IEEE Power & Energy Society (“PES”) Scholarship Plus Initiative addresses the crucial workforce shortage facing the power and energy industry. This initiative encourages high-achieving undergraduate students in the U.S., Canada and Puerto Rico to pursue careers in the power and energy industry by awarding scholarships and connecting the students to internships and mentors. These promising PES Scholars graduate with the knowledge and career experience necessary to begin making an impact across the power and energy industry.

IEEE Smart Village is committed to helping the world’s poorest and most energy-deprived populations. Through the integration of sustainable electricity, education and entrepreneurial solutions, off-grid communities are realizing improved education, health and economic outcomes. They are empowered and their lives are transformed.

EPICS in IEEE empowers students to work with local service organizations to apply their newly acquired technical acumen to envision, develop and install solutions for a community’s unique challenges in that community. In this way, EPICS in IEEE assists communities in achieving their specific local community improvement goals and provides the students with critically needed experiential learning opportunities. 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, brings the history of technology to life in the classroom. REACH produces and delivers free educational enrichment materials that high school teachers may use to instruct students about the undeniable relationship between technology and humanity. The materials are designed to enhance the capabilities of high school teachers to 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, 2017 and 2016

Recognition of Innovation

For nearly 100 years, IEEE has recognized and lauded individuals whose exceptional contributions inspire us all through the lasting impact their work has had on technology, society, the engineering profession, and humanity. The portfolio of IEEE awards supported through the Foundation is vast and celebrates accomplishments across the breadth and depth of IEEE activities and technical fields.

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 improve access to technology, enhance technological literacy, and support technical education and the IEEE professional community. This highly competitive program invests in innovative and promising IEEE projects.

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.

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

IEEE History Center

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 and shares the memories of hundreds of technological icons; honors technological achievements through IEEE Milestones; 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, 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 ("US GAAP") 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.

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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 \$7,879,050 and \$6,550,324 at December 31, 2017 and 2016, 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.

IEEE FOUNDATION, INCORPORATED

Notes to Financial Statements

December 31, 2017 and 2016

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 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 2.06% to 2.89% at December 31, 2017 and 1.38% to 2.20% at December 31, 2016. 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

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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.

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 2,515,264	\$ 1,802,707
One to three years	-	8,800
	<u>\$ 2,515,264</u>	<u>\$ 1,811,507</u>

For the years ended December 31, 2017 and 2016, the Foundation rescinded approximately \$21,000 and \$34,000, respectively, of grant commitments. As of December 31, 2017 and 2016, \$2,078,875 and \$1,306,976, 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

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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 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. As of December 31, 2017 and 2016, 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 US GAAP 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.

Reclassifications

Certain reclassifications of prior year amounts have been made to conform to the current year presentation. Such reclassifications did not change total assets, liabilities or changes in net assets as reflected in the 2017 financial statements.

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New Pronouncements

In August 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit’s liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Foundation is in the process of evaluating the impact this standard will have on the financial statements.

Subsequent Events

The Foundation evaluated its December 31, 2017 financial statements for subsequent events through April 12, 2018, 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.

3. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net, at December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
IEEE Power & Energy Society Endowed Scholarship Program	\$ 2,000,000	\$ 1,616,500
IEEE Smart Village	403,823	92,238
IEEE PELS Humanitarian Outreach Fund	150,000	-
IEEE Foundation Fund	106,161	15,742
EPICS in IEEE	86,973	155,097
IEEE Power & Energy Society Scholarship Plus Program	63,166	114,714
Other	<u>557,012</u>	<u>434,826</u>
	3,367,135	2,429,117
Less: Discount for present value	(20,855)	(4,025)
Contributions receivable, net	<u>\$ 3,346,280</u>	<u>\$ 2,425,092</u>

As of December 31, 2017 and 2016, contribution receivables due in less than one year and between one and five years consist of the following:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 2,935,685	\$ 2,319,697
Between one and five years	<u>431,450</u>	<u>109,420</u>
	<u>\$ 3,367,135</u>	<u>\$ 2,429,117</u>

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During 2017, 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, 2017 and 2016 consist of the following:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Limited partnership	\$ 100,000	\$ 85,805	\$ 100,000	\$ 85,805
Participation in the Institute's investment pool	25,115,183	37,140,485	25,357,027	33,478,817
	\$ 25,215,183	\$ 37,226,290	\$ 25,457,027	\$ 33,564,622

The Foundation's investments consist primarily of participation in the Institute's investment pool. The Institute's investment pool consists of publicly-traded debt and equity securities which are recorded at fair value determined on the basis of quoted market prices (i.e. Level 1 inputs) and alternative investments (e.g. commingled funds) for which market values are not readily obtainable. The Institute follows guidance on measuring the fair value of alternative investments, which offers investors a practical expedient for measuring the fair value of investments in certain entities that calculate net asset value ("NAV"). Under this practical expedient, entities are permitted to use NAV without adjustment for certain investments which: (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

At December 31, 2017 and 2016, the fair value of the Institute's investment pool's investments were based 83% and 85% on Level 1 inputs and 17% and 15% using NAV as a practical expedient, respectively. The Foundation's participation in the Institute's investment pool is determined based on its pro rata ownership interest of the entire pool. The Foundation has the ability to redeem its investment within the Institute's investment pool based upon conditions outlined in the Investment Service Agreement between the Institute and the Foundation. Redemption requests for funds deposited up to 5% and greater than 5%, require 30 days notice and 90 days notice, respectively.

The fair value of the Foundation's investments in a limited partnership is measured at the liquidation value stated in the investment's prospectus. As of December 31, 2017 and December 31, 2016, there are no remaining unfunded commitments on this investment. The Foundation plans to liquidate its limited partnership investment during its next exit window, which may occur as late as 2028.

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The following tables prioritize the inputs used to measure and report the fair value of the Foundation's investments at December 31, 2017 and 2016, respectively:

	2017			
	Level 1	Level 2	Level 3	Total
Limited partnership	\$ -	\$ -	\$ 85,805	\$ 85,805
Participation in the Institute's investment pool	-	-	37,140,485	37,140,485
Total investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,226,290</u>	<u>\$ 37,226,290</u>

	2016			
	Level 1	Level 2	Level 3	Total
Limited partnership	\$ -	\$ -	\$ 85,805	\$ 85,805
Participation in the Institute's investment pool	-	-	33,478,817	33,478,817
Total investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,564,622</u>	<u>\$ 33,564,622</u>

The tables below set forth a summary of changes in the fair value of the Foundation's Level 3 assets for the years ended December 31, 2017 and 2016.

	2017		
	Limited Partnership	Participation in the Institute's Investment Pool	Total
Balance, beginning of the year	\$ 85,805	\$ 33,478,817	\$ 33,564,622
Purchases	-	794,839	794,839
Sales	-	(1,509,000)	(1,509,000)
Net realized and unrealized gains	-	4,375,821	4,375,821
Balance, end of year	<u>\$ 85,805</u>	<u>\$ 37,140,477</u>	<u>\$ 37,226,282</u>

	2016		
	Limited Partnership	Participation in the Institute's Investment Pool	Total
Balance, beginning of the year	\$ 85,805	\$ 32,543,098	\$ 32,628,903
Purchases	-	709,792	709,792
Sales	-	(1,587,000)	(1,587,000)
Net realized and unrealized gains	-	1,812,927	1,812,927
Balance, end of year	<u>\$ 85,805</u>	<u>\$ 33,478,817</u>	<u>\$ 33,564,622</u>

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

Investment income, net, for the years ended December 31, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends, net	\$ 882,063	\$ 783,987
Net realized gains	471,023	336,706
Net unrealized gains	<u>3,903,512</u>	<u>1,476,095</u>
Investment income, net	<u>\$ 5,256,598</u>	<u>\$ 2,596,788</u>

Investment expenses, which are netted with interest and dividends, amounted to \$130,107 and \$103,220 in 2017 and 2016, respectively.

5. BENEFICIAL INTEREST IN TRUST

The Foundation is the sole beneficiary of a trust (the "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, 2017 and 2016, the Trust's fair value totaled \$3,311,271 and \$2,900,450, 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, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Balance, beginning of the year	\$ 2,900,450	\$ 2,767,190
Change in fair value of beneficial interest in trust	<u>410,821</u>	<u>133,260</u>
Balance, end of year	<u>\$ 3,311,271</u>	<u>\$ 2,900,450</u>

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

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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"). The Foundation is not a beneficiary of the Trust Fund and, accordingly, has recognized a liability for the amounts held. As of December 31, 2017 and 2016, the Trust Fund's assets consist of the following:

	<u>2017</u>	<u>2016</u>
Participation in the Institute's investment pool	\$ 413,706	\$ 374,232
Cash equivalents	<u>6,535</u>	<u>13,223</u>
	420,241	387,455
Less: Accrued expenses	<u>(2,189)</u>	<u>(1,762)</u>
Assets held in trust for others	<u>\$ 418,052</u>	<u>\$ 385,693</u>

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, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Balance, beginning of the year	\$ 374,232	\$ 384,599
Purchases	6,704	6,026
Withdrawals	(15,000)	(35,000)
Net realized and unrealized appreciation	<u>47,770</u>	<u>18,607</u>
Balance, end of year	<u>\$ 413,706</u>	<u>\$ 374,232</u>

The net realized and unrealized 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Funds held for specific purposes:		
Awards	\$ 11,058,686	\$ 10,151,793
Educational	<u>18,213,269</u>	<u>14,334,184</u>
	29,271,955	24,485,977
Beneficial interest in trust - time restriction	<u>3,311,271</u>	<u>2,900,450</u>
	<u>\$ 32,583,226</u>	<u>\$ 27,386,427</u>

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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, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Funds held for specific purposes:		
Awards	\$ 1,057,451	\$ 997,049
Educational	<u>2,235,254</u>	<u>1,444,136</u>
	<u>\$ 3,292,705</u>	<u>\$ 2,441,185</u>

Permanently restricted net assets at December 31, 2017 and 2016 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.

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.

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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, 2017:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 96,771	\$ 135,859	\$ 232,630
Board-designated endowment fund	3,700,394	-	-	3,700,394
Total endowment assets	<u>\$ 3,700,394</u>	<u>\$ 96,771</u>	<u>\$ 135,859</u>	<u>\$ 3,933,024</u>
Endowment assets, beginning of year	\$ 3,407,517	\$ 70,602	\$ 135,859	\$ 3,613,978
Dividends and interest	88,965	5,441	-	94,406
Net realized and unrealized appreciation in fair value of endowment assets	418,949	25,388	-	444,337
New gifts - designated for endowment	5,975	-	-	5,975
Endowment return used for operations	(221,012)	(4,660)	-	(225,672)
Endowment assets, end of year	<u>\$ 3,700,394</u>	<u>\$ 96,771</u>	<u>\$ 135,859</u>	<u>\$ 3,933,024</u>

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, 2016:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 70,602	\$ 135,859	\$ 206,461
Board-designated endowment fund	3,407,517	-	-	3,407,517
Total endowment assets	<u>\$ 3,407,517</u>	<u>\$ 70,602</u>	<u>\$ 135,859</u>	<u>\$ 3,613,978</u>
Endowment assets, beginning of year	\$ 3,353,949	\$ 61,984	\$ 135,859	\$ 3,551,792
Dividends and interest	79,958	4,769	-	84,727
Net realized and unrealized appreciation in fair value of endowment assets	178,604	10,684	-	189,288
New gifts - designated for endowment	770	-	-	770
Endowment return used for operations	(205,764)	(6,835)	-	(212,599)
Endowment assets, end of year	<u>\$ 3,407,517</u>	<u>\$ 70,602</u>	<u>\$ 135,859</u>	<u>\$ 3,613,978</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.

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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 \$773,100 and \$748,000 during 2017 and 2016, respectively. The Institute provided fundraising administrative services (contributed services) during 2017 and 2016 that were not reimbursed by the Foundation. Such contributed services recorded by the Foundation totaled \$1,256,490 and \$1,235,505 during 2017 and 2016, respectively.

The Foundation received annual cash contributions from IEEE in the amounts of \$382,000 and \$369,000 during 2017 and 2016, respectively. During 2017, the Institute contributed an additional \$2,000,000 for the Power and Energy Society Endowed Scholarship Fund, \$150,000 for the IEEE PELS Humanitarian Outreach Fund, and \$100,000 for the IEEE Photonics Society Fund. During 2016, the Institute contributed an additional \$1,616,500 for the newly established Power and Energy Society Endowed Scholarship Fund, \$100,000 for the IEEE Photonics Society Fund, and \$100,000 for the IEEE Electron Devices Society Mission Fund.

The Institute solicits contributions on behalf of the Foundation through its annual member renewal process, which totaled \$603,968 and \$584,210 in 2017 and 2016, respectively.