

Financial Statements Together with  
Report of Independent Certified Public Accountants

**IEEE FOUNDATION, INCORPORATED**

December 31, 2013 and 2012

# 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, 2013 and 2012	3
Statement of Activities for the year ended December 31, 2013	4
Statement of Activities for the year ended December 31, 2012	5
Statements of Cash Flows for the years ended December 31, 2013 and 2012	6
Notes to Financial Statements	7 - 18

## 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, 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 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 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 IEEE Foundation, Incorporated as of December 31, 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.

*Grant Thornton LLP*

Edison, New Jersey  
May 23, 2014

**IEEE FOUNDATION, INCORPORATED**  
**Statements of Financial Position**  
**As of December 31, 2013 and 2012**

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,895,677	\$ 5,125,308
Amounts due from IEEE	145,238	169,097
Contributions receivables, net	1,149,272	1,607,912
Prepaid expenses and other assets	52,998	63,884
Investments, at fair value	32,259,847	24,810,275
Beneficial interest in trust	2,669,548	4,827,460
Assets held in trust for others	<u>425,656</u>	<u>379,487</u>
 Total assets	 <u>\$ 42,598,236</u>	 <u>\$ 36,983,423</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accrued expenses	\$ 21,323	\$ 129,575
Awards and grants payable	832,280	940,513
Amounts due to IEEE	98,820	222,165
Liability for amounts held for others	<u>425,656</u>	<u>379,487</u>
 Total liabilities	 1,378,079	 1,671,740
 Contingencies		
 <b>NET ASSETS</b>		
Unrestricted	18,430,249	14,068,198
Temporarily restricted	22,654,049	21,157,626
Permanently restricted	<u>135,859</u>	<u>85,859</u>
 Total net assets	 <u>41,220,157</u>	 <u>35,311,683</u>
 Total liabilities and net assets	 <u>\$ 42,598,236</u>	 <u>\$ 36,983,423</u>

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

**IEEE FOUNDATION, INCORPORATED**  
**Statement of Activities**  
**For the year ended December 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES</b>				
Contributions, including contributed services of \$764,600	\$ 2,037,672	\$ 3,372,051	\$ 50,000	\$ 5,459,723
Change in fair value of beneficial interest in trust	-	353,851	-	353,851
Investment income	2,665,867	2,417,385	-	5,083,252
Net assets released from restrictions	4,646,864	(4,646,864)	-	-
	<u>9,350,403</u>	<u>1,496,423</u>	<u>50,000</u>	<u>10,896,826</u>
<b>EXPENSES</b>				
Program services:				
Awards and related costs	1,471,731	-	-	1,471,731
Special projects and grants	594,744	-	-	594,744
IEEE Power & Energy Society Scholarship Program	843,967	-	-	843,967
IEEE History Center support	271,619	-	-	271,619
IEEE Eta Kappa Nu Restricted Fund support	114,070	-	-	114,070
	<u>3,296,131</u>	<u>-</u>	<u>-</u>	<u>3,296,131</u>
Supporting services:				
Administrative	888,721	-	-	888,721
Fundraising activities	803,500	-	-	803,500
	<u>1,692,221</u>	<u>-</u>	<u>-</u>	<u>1,692,221</u>
	<u>4,988,352</u>	<u>-</u>	<u>-</u>	<u>4,988,352</u>
Changes in net assets	4,362,051	1,496,423	50,000	5,908,474
Net assets, beginning of year	14,068,198	21,157,626	85,859	35,311,683
Net assets, end of year	<u>\$ 18,430,249</u>	<u>\$ 22,654,049</u>	<u>\$ 135,859</u>	<u>\$ 41,220,157</u>

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

**IEEE FOUNDATION, INCORPORATED**  
**Statement of Activities**  
**For the year ended December 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES</b>				
Contributions, included contributed services of \$649,400	\$ 1,921,660	\$ 2,777,782	\$ -	\$ 4,699,442
Change in fair value of beneficial interest in trust	-	360,588	-	360,588
Investment income	1,711,105	1,469,853	-	3,180,958
Net assets released from restrictions	1,797,403	(1,797,403)	-	-
	<u>5,430,168</u>	<u>2,810,820</u>	<u>-</u>	<u>8,240,988</u>
<b>EXPENSES</b>				
Program services:				
Awards and related costs	1,402,127	-	-	1,402,127
Special projects and grants	645,290	-	-	645,290
IEEE Power & Energy Society Scholarship Program	857,497	-	-	857,497
IEEE History Center support	265,081	-	-	265,081
IEEE Eta Kappa Nu Restricted Fund support	162,300	-	-	162,300
	<u>3,332,295</u>	<u>-</u>	<u>-</u>	<u>3,332,295</u>
Supporting services:				
Administrative	782,898	-	-	782,898
Fundraising activities	727,329	-	-	727,329
	<u>1,510,227</u>	<u>-</u>	<u>-</u>	<u>1,510,227</u>
	<u>4,842,522</u>	<u>-</u>	<u>-</u>	<u>4,842,522</u>
Changes in net assets	587,646	2,810,820	-	3,398,466
Net assets, beginning of year	<u>13,480,552</u>	<u>18,346,806</u>	<u>85,859</u>	<u>31,913,217</u>
Net assets, end of year	<u>\$ 14,068,198</u>	<u>\$ 21,157,626</u>	<u>\$ 85,859</u>	<u>\$ 35,311,683</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 5,908,474	\$ 3,398,466
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(4,393,846)	(2,406,826)
Change in fair value of beneficial interest in trust	(353,851)	(360,588)
Recovery of bad debt expense	-	(38,016)
Donated stock	(1,830)	(104,478)
Proceeds from sale of donated stock	1,794	119,072
Changes in assets and liabilities:		
Decrease (increase) in contributions receivables	458,640	(721,197)
Decrease in amounts due from IEEE	23,859	703,526
Decrease in prepaid expenses and other assets	10,886	13,420
Decrease in beneficial interest in trust	2,511,763	-
Increase in assets held in trust for others	(46,169)	(21,534)
(Decrease) increase in accrued expenses	(108,252)	81,893
Decrease in awards and grants payable	(108,233)	(90,701)
Decrease in amounts due to IEEE	(123,345)	(61,522)
Increase in liability for amounts held for others	<u>46,169</u>	<u>21,534</u>
Net cash provided by operating activities	<u>3,826,059</u>	<u>533,049</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	-	243,001
Purchase of investments	<u>(3,055,690)</u>	<u>(542,215)</u>
Net cash used in investing activities	<u>(3,055,690)</u>	<u>(299,214)</u>
Net increase in cash and cash equivalents	770,369	233,835
Cash and cash equivalents at beginning of year	<u>5,125,308</u>	<u>4,891,473</u>
Cash and cash equivalents at end of year	<u>\$ 5,895,677</u>	<u>\$ 5,125,308</u>

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



# IEEE FOUNDATION, INCORPORATED

## Notes to Financial Statements

December 31, 2013 and 2012

---

### 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”).

### 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.

*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 \$5,793,996 and \$4,993,333 at December 31, 2013 and 2012, 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.

# IEEE FOUNDATION, INCORPORATED

## Notes to Financial Statements

December 31, 2013 and 2012

---

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 with respect to its ownership interests.

### **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 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. Also included in Level 2 are investments measured using a net asset value ("NAV") per share, or its equivalent, that may be redeemed at NAV at the date of the statement of financial position or in the near term, which the Foundation has determined to be within 90 days.
- 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. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

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"

**IEEE FOUNDATION, INCORPORATED**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

---

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 and ranged from 1.38% to 3.49% at December 31, 2013 and 2012. Such 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. 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.

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

**IEEE FOUNDATION, INCORPORATED**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

---

**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. A significant portion of the awards and grants payable at December 31, 2013 is anticipated to be paid within one year. As of December 31, 2013 and 2012, \$113,504 and \$58,450, respectively, of awards and grants payable are due to the Institute.

**Income Taxes and Tax Status**

The Foundation follows the provisions of FASB Interpretation No. 48 (“FIN 48”) *Accounting for Uncertainties in Income Taxes* – an interpretation of FASB Statement No. 109, now incorporated in 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 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 ending December 31, 2010, 2011, 2012 and 2013 are still open to audit for both federal and state purposes. As of December 31, 2013, 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 reporting 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 statements of financial position.

**IEEE FOUNDATION, INCORPORATED**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

---

**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.

**Reclassifications**

Certain reclassifications were made to the 2012 financial statements in order to conform to the 2013 presentation. Such reclassifications did not change total assets, liabilities, net assets, revenues or expenses as reflected in the 2012 financial statements.

**New Accounting Standard**

In October 2012, the FASB issued Accounting Standard Update (“ASU”) 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*, which requires a not-for-profit entity to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts result from the sale of donated financial assets that upon receipt, were directed without any organization-imposed limitations for sale and were converted nearly immediately into cash. This standard is effective prospectively for fiscal years beginning after June 15, 2013, with early adoption and retrospective application permitted.

The Foundation early adopted ASU 2012-15 effective January 1, 2013. The statement of cash flows for the year ended December 31, 2012 has been adjusted to apply the new method retrospectively and results in an increase in cash flows from operating activities of \$14,594.

**Subsequent Events**

The Foundation evaluated its December 31, 2013 financial statements for subsequent events through May 23, 2014, 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, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Pledges receivable - IEEE Power and Energy Society		
Scholarship Fund	\$ 1,053,333	\$ 1,577,734
Pledges receivable - Other	<u>124,311</u>	<u>70,361</u>
	1,177,644	1,648,095
Less: Discount for present value	<u>(28,372)</u>	<u>(40,183)</u>
Contributions receivable, net	<u>\$ 1,149,272</u>	<u>\$ 1,607,912</u>

**IEEE FOUNDATION, INCORPORATED**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

As of December 31, 2013 and 2012, receivables due in less than one year and between one and five years totaled \$457,644 and \$720,000 and \$1,029,762 and \$618,333, respectively.

During 2013, the Foundation received notification of certain intentions to give. However, due to their conditional nature, these gifts have not been reflected on the accompanying financial statements.

**4. INVESTMENTS, AT FAIR VALUE**

Investments, at fair value, at December 31, 2013 and 2012 consist of the following:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Limited partnerships	\$ 400,000	\$ 270,217	\$ 400,000	\$ 270,217
Participation in the Institute's investment pool	<u>25,260,258</u>	<u>31,989,630</u>	<u>22,204,563</u>	<u>24,540,058</u>
	<u>\$ 25,660,258</u>	<u>\$ 32,259,847</u>	<u>\$ 22,604,563</u>	<u>\$ 24,810,275</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 reporting 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, 2013 and 2012, the fair value of the Institute investment pool's investments were based 93% and 92% on Level 1 inputs and based 7% and 8% on Level 2 inputs, respectively. The Foundation's participation in the Institute's investment pool is determined based on its pro-rata share of the entire pool.

The fair value of the Foundation's investment in REITs is measured at the liquidation value stated in the respective investment's prospectus. As of December 31, 2013, the Foundation has met all of the redemption provisions of the REITs. There are no unfunded commitments on these investments. One limited partnership is in the process of liquidation and through the date the financial statements were available to be issued, the Foundation has received approximately 1% of its investment. The liquidation is at the discretion of the limited partnership and is estimated to take upwards of five years to occur. The Foundation plans to liquidate its other limited partnership investment during its next exit window, which is not expected to occur until 2015 at the earliest.

The following tables prioritize the inputs used to measure and report the fair value of the Foundation's investments at December 31, 2013 and 2012, respectively:

	2013			
	Level 1	Level 2	Level 3	Total
Limited partnerships	\$ -	\$ -	\$ 270,217	\$ 270,217
Participation in the Institute's investment pool	-	-	<u>31,989,630</u>	<u>31,989,630</u>
Total investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,259,847</u>	<u>\$ 32,259,847</u>

**IEEE FOUNDATION, INCORPORATED**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

	<b>2012</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Limited partnerships	\$ -	\$ -	\$ 270,217	\$ 270,217
Participation in the Institute's investment pool	-	-	24,540,058	24,540,058
Total investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,810,275</u>	<u>\$ 24,810,275</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, 2013 and 2012.

	<b>2013</b>	<b>2012</b>
<b>Balance, beginning of the year</b>	\$ 24,810,275	\$ 22,118,829
Purchases	3,055,690	646,693
Sales	-	(362,073)
Net realized and unrealized gain	4,393,882	2,406,826
<b>Balance, end of year</b>	<u>\$ 32,259,847</u>	<u>\$ 24,810,275</u>

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

The Foundation uses NAV to determine the fair value of all the underlying 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, as defined by ASC Topic 740. The following table lists such investments by major category as of December 31, 2013 and 2012:

<b>2013</b>							
<b>Type</b>	<b>Strategy</b>	<b>NAV In Funds</b>	<b># of Funds</b>	<b>Remaining Life</b>	<b>\$ Amount of Unfunded Commitments</b>	<b>Redemption Terms</b>	<b>Redemption Restrictions</b>
Limited partnerships (LP)	One LP seeks maximum total return through the holding and intended sale of land interests; One LP originates, acquires, services and manages a portfolio of mortgage loans and issues or acquires interest in credit enhancements for the benefit of borrowers.	\$ 270,217	2	One LP will continue in existence until December 31, 2028 or sooner as determined by the fund manager; One LP is expected to liquidate within 2 to 5 years.	N/A	One LP has no ability to be redeemed; One LP can redeem only in certain exigent circumstances and to the extent the general partner determines there are sufficient funds available.	One LP has no ability to be redeemed; One LP can redeem only in certain exigent circumstances and to the extent the general partner determines there are sufficient funds available.

**IEEE FOUNDATION, INCORPORATED**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

2012							
Type	Strategy	NAV In Funds	# of Funds	Remaining Life	\$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Limited partnerships (LP)	One LP seeks maximum total return through the holding and intended sale of land interests; One LP originates, acquires, services and manages a portfolio of mortgage loans and issues or acquires interest in credit enhancements for the benefit of borrowers.	\$ 270,217	2	One LP will continue in existence until December 31, 2028 or sooner as determined by the fund manager; One LP is expected to liquidate within 2 to 5 years.	N/A	One LP has no ability to be redeemed; One LP can redeem only in certain exigent circumstances and to the extent the general partner determines there are sufficient funds available.	One LP has no ability to be redeemed; One LP can redeem only in certain exigent circumstances and to the extent the general partner determines there are sufficient funds available.

Investment income for the years ended December 31, 2013 and 2012 consists of the following:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 689,406	\$ 774,132
Net realized (losses) gains	(36)	35,735
Net unrealized gains	<u>4,393,882</u>	<u>2,371,091</u>
Investment income	<u>\$ 5,083,252</u>	<u>\$ 3,180,958</u>

Investment expenses are included in administrative and other expenses and amounted to \$92,245 and \$57,137 in 2013 and 2012, 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 principal of the Trust as follows: 50% of the value of the assets in the Trust in 2013 and the remaining balance of the assets in the Trust in 2038. In September 2013, the Foundation received the initial distribution of Trust principal of \$2,511,763, representing 50% of the fair value of the assets in the Trust.

As of December 31, 2013 and 2012, the Trust's fair value totaled \$2,669,548 and \$4,827,460, respectively and 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, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
<b>Balance, beginning of the year</b>	\$ 4,827,460	\$ 4,466,872
Distribution of 50% of Trust assets as per Trust Agreement	(2,511,763)	-
Change in fair value of beneficial interest in trust	<u>353,851</u>	<u>360,588</u>
<b>Balance, end of year</b>	<u>\$ 2,669,548</u>	<u>\$ 4,827,460</u>



**IEEE FOUNDATION, INCORPORATED**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

---

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, 2013 and 2012, the Trust Fund's assets totaled \$425,656 and \$379,487, respectively, with \$414,942 and \$368,607 invested in the Institute's investment pool (classified as Level 3 within the fair value hierarchy), respectively, and \$10,714 and \$10,880 in cash equivalents, respectively. The Foundation is not a beneficiary of the Trust Fund.

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, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
<b>Balance, beginning of the year</b>	\$ 368,607	\$ 350,434
Purchases	4,537	6,048
Withdrawals	(20,000)	(25,000)
Net realized and unrealized appreciation	61,798	37,125
<b>Balance, end of year</b>	<u>\$ 414,942</u>	<u>\$ 368,607</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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Funds held for specific purposes:		
Awards	\$ 9,743,277	\$ 7,979,987
Educational	10,241,224	8,350,179
	<u>19,984,501</u>	<u>16,330,166</u>
Beneficial interest in trust - time restriction	2,669,548	4,827,460
	<u>\$ 22,654,049</u>	<u>\$ 21,157,626</u>

**IEEE FOUNDATION, INCORPORATED**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

---

Net assets were released from temporary restrictions by fulfillment of purpose restriction or satisfaction of time restriction for the years ended December 31, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Funds held for specific purposes:		
Awards	\$ 803,741	\$ 532,408
Educational	<u>1,331,360</u>	<u>1,264,995</u>
	2,135,101	1,797,403
Distribution from beneficial interest in trust - time restriction	<u>2,511,763</u>	<u>-</u>
	<u>\$ 4,646,864</u>	<u>\$ 1,797,403</u>

Permanently restricted net assets at December 31, 2013 and 2012 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 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.

**IEEE FOUNDATION, INCORPORATED**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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 tables summarize the Foundation's total return on endowment investments and the changes in endowment net assets for the years ended December 31, 2013 and 2012:

	<b>2013</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor restricted endowment funds	\$ -	\$ 61,342	\$ 135,859	\$ 197,201
Board designated endowment fund	<u>3,503,360</u>	<u>-</u>	<u>-</u>	<u>3,503,360</u>
Total endowment assets	<u>\$ 3,503,360</u>	<u>\$ 61,342</u>	<u>\$ 135,859</u>	<u>\$ 3,700,561</u>
<b>Endowment assets, beginning of year</b>	\$ 3,106,988	\$ 38,399	\$ 85,859	\$ 3,231,246
Dividends and interest	62,280	2,819	-	65,099
Net realized and unrealized appreciation in fair value of endowment assets	485,474	22,465	-	507,939
New gifts	10,716	-	50,000	60,716
Endowment return used for operations	<u>(162,098)</u>	<u>(2,341)</u>	<u>-</u>	<u>(164,439)</u>
<b>Endowment assets, end of year</b>	<u>\$ 3,503,360</u>	<u>\$ 61,342</u>	<u>\$ 135,859</u>	<u>\$ 3,700,561</u>
	<b>2012</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor restricted endowment funds	\$ -	\$ 38,399	\$ 85,859	\$ 124,258
Board designated endowment fund	<u>3,106,988</u>	<u>-</u>	<u>-</u>	<u>3,106,988</u>
Total endowment assets	<u>\$ 3,106,988</u>	<u>\$ 38,399</u>	<u>\$ 85,859</u>	<u>\$ 3,231,246</u>
<b>Endowment assets, beginning of year</b>	\$ 2,884,884	\$ 24,274	\$ 85,859	\$ 2,995,017
Dividends and interest	70,304	2,754	-	73,058
Net realized and unrealized appreciation in fair value of endowment assets	301,606	11,639	-	313,245
New gifts	7,170	-	-	7,170
Endowment return used for operations	<u>(156,976)</u>	<u>(268)</u>	<u>-</u>	<u>(157,244)</u>
<b>Endowment assets, end of year</b>	<u>\$ 3,106,988</u>	<u>\$ 38,399</u>	<u>\$ 85,859</u>	<u>\$ 3,231,246</u>

**IEEE FOUNDATION, INCORPORATED**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

---

**8. CONTINGENCIES**

The Foundation, in the normal course of its operations, is a party to various legal proceedings and complaints, some of which are 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 are not covered by insurance that would have a material adverse effect on the Foundation's consolidated financial position, changes in net assets or cash flows taken.

**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 and administrative services from IEEE. The Foundation reimbursed IEEE for the cost of such services, which amounted to \$561,000 and \$512,000 during 2013 and 2012, respectively. The Institute provided fundraising administrative services (contributed services) during 2013 and 2012 that were not reimbursed by the Foundation. Total contributed services recorded by the Foundation totaled \$764,600 and \$649,400 during 2013 and 2012, respectively.

The Foundation received annual cash contributions from IEEE in the amounts of \$531,000 and \$561,000 during 2013 and 2012, respectively. The Institute contributed an additional \$750,000 to the IEEE-Eta Kappa Nu Restricted Fund during 2013 and \$250,000 to the IEEE Power & Energy Society Scholarship Program during 2012.

The Institute solicits contributions on behalf of the Foundation through its annual member renewal process, which totaled \$667,222 and \$633,186 in 2013 and 2012, respectively.