

**Audited Financial Statements –
Modified Cash Basis**

THE HERBERT SCOVILLE, JR. PEACE FELLOWSHIP

December 31, 2016

The Herbert Scoville, Jr. Peace Fellowship

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Independent Auditor's Report on the Financial Statements

To the Board of Directors
The Herbert Scoville, Jr. Peace Fellowship

We have audited the accompanying financial statements of The Herbert Scoville, Jr. Peace Fellowship (the Fellowship) which comprise the statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2016 and 2015, and the related statements of revenue collected, expenses paid, and changes in net assets – modified cash basis 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 the modified cash basis of accounting as described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for 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 assets, liabilities, and net assets of The Herbert Scoville, Jr. Peace Fellowship as of December 31, 2016 and 2015, and the revenue collected, expenses paid, and the changes in its net assets for the years then ended in accordance with the modified cash basis of accounting as described in Note A.

To the Board of Directors
June 19, 2017
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Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Tate & Tryon

Washington, DC
June 19, 2017

The Herbert Scoville, Jr. Peace Fellowship

Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis

| <i>December 31,</i> | 2016 | 2015 |
|--|-------------------|-------------------|
| Assets | | |
| Cash and cash equivalents | \$ 277,277 | \$ 198,855 |
| Accounts receivable | 181 | 264 |
| Grants receivable | 215,000 | 150,000 |
| Total assets | \$ 492,458 | \$ 349,119 |
| Liabilities and net assets | | |
| Accounts payable and accrued liabilities | \$ 4,268 | \$ 5,144 |
| Total liabilities | 4,268 | 5,144 |
| Net assets | | |
| Unrestricted | 273,190 | 157,309 |
| Temporarily restricted | 215,000 | 186,666 |
| Total net assets | 488,190 | 343,975 |
| Total liabilities and net assets | \$ 492,458 | \$ 349,119 |

The Herbert Scoville, Jr. Peace Fellowship

Statements of Revenue Collected, Expenses Paid, and Changes in Net Assets – Modified Cash Basis

| | Year ended December 31, | | | |
|--|-------------------------|---------------------------|------------|------------|
| | 2016 | | | 2015 |
| | Unrestricted | Temporarily Restricted | Total | Total |
| Revenue | | | | |
| Foundation grants | \$ 250,000 | \$ 215,000 | \$ 465,000 | \$ 182,000 |
| Contributions | 24,735 | - | 24,735 | 31,071 |
| Interest and dividends | 495 | - | 495 | 64 |
| Realized loss | - | - | - | (6) |
| Net assets released from donor restrictions | 186,666 | (186,666) | - | - |
| Total revenue | 461,896 | 28,334 | 490,230 | 213,129 |
| Expenses | | | | |
| Salary and related expenses | 296,269 | - | 296,269 | 237,494 |
| Travel and meals | 23,615 | - | 23,615 | 18,570 |
| Accounting and legal | 7,705 | - | 7,705 | 5,850 |
| Advertising and promotion expense | 6,258 | - | 6,258 | 4,422 |
| Professional fees | 5,811 | - | 5,811 | 3,160 |
| Fees paid to CACNP | 4,000 | - | 4,000 | 4,000 |
| Office expense | 1,808 | - | 1,808 | 9,407 |
| Subscriptions and publications | 426 | - | 426 | 735 |
| Postage and delivery | 123 | - | 123 | 22 |
| Printing and copying | - | - | - | 481 |
| Total expenses | 346,015 | - | 346,015 | 284,141 |
| Change in net assets | 115,881 | 28,334 | 144,215 | (71,012) |
| Net assets, beginning of year | 157,309 | 186,666 | 343,975 | 414,987 |
| Net assets, end of year | \$ 273,190 | \$ 215,000 | \$ 488,190 | \$ 343,975 |

The Herbert Scoville, Jr. Peace Fellowship

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The Herbert Scoville, Jr. Peace Fellowship (the Fellowship) is a non-profit organization incorporated in 1987 under the laws of the District of Columbia. The Fellowship was created to provide fellowships for college graduates with various organizations dealing with nuclear arms control issues.

Basis of accounting: The accompanying financial statements have been prepared using the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis differs from generally accepted accounting principles primarily because certain revenues and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Accordingly, such information should be read in conjunction with the Fellowship's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Income tax status: The Fellowship is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Fellowship is not a private foundation.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Cash and cash equivalents: The Fellowship considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Net assets: For financial statement purposes, net assets are as follows:

Unrestricted: Unrestricted net assets include those net assets whose use is not restricted by donors even though their use may be limited in other respects, such as by board designation.

Temporarily restricted: Temporarily restricted net assets include those net assets whose use by the Fellowship has been donor-restricted by specified time or purpose limitations. As of December 31, 2016, the Foundation's temporarily restricted net assets were related to grants for the development of Scoville Fellows.

Revenue recognition: Unrestricted and temporarily restricted contributions and grants are typically recorded as revenue in the year notification is received from the donor. Certain grants and contributions may not be recorded until received in cash. Contributions and grants that are restricted by a donor are recognized as unrestricted revenue upon satisfaction or completion of the programs in compliance with donor-imposed restrictions. Amounts received prior to the satisfaction or completion of the programs are presented as temporarily restricted net assets in the accompanying financial statements.

Subsequent events: Subsequent events have been evaluated through June 19, 2017, which is the date the financial statements were available to be issued.

The Herbert Scoville, Jr. Peace Fellowship

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reclassification: Certain accounts relating to the prior year have been reclassified to conform to the current year presentation with no effect on previously reported net income. On the statement of activities, a total of approximately \$30,000 was reclassified out of Fundraising and Management and General and added to Program Services.

B. CONCENTRATIONS

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

C. FUNCTIONAL EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses of the Fellowship, on a functional basis, are estimated as follows for the year ended December 31,:

| | 2016 | 2015 |
|------------------------|-------------------|-------------------|
| Program services | \$ 258,761 | \$ 201,783 |
| Supporting services: | | |
| Management and general | 76,253 | 71,898 |
| Fundraising | 11,001 | 10,460 |
| | <hr/> | <hr/> |
| Total expenses | \$ 346,015 | \$ 284,141 |

D. ADMINISTRATIVE AGREEMENT

The Fellowship shares premises and personnel with the Center for Arms Control and Non-Proliferation (CACNP). Costs are allocated among the organizations based on actual expenditures or estimated personnel time. The Fellowship pays a quarterly fee to CACNP for management and administrative services rendered. The fee was \$1,000 per quarter for the years ended December 31, 2016 and 2015. The Fellowship and CACNP are not under common control.