

**Audited Financial Statements –
Modified Cash Basis**

THE HERBERT SCOVILLE, JR. PEACE FELLOWSHIP

December 31, 2017

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, 2017 and 2016, 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, 2017 and 2016, 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
July 24, 2018
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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
July 24, 2018

The Herbert Scoville, Jr. Peace Fellowship

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

<i>December 31,</i>	2017	2016
Assets		
Cash and cash equivalents	\$ 224,780	\$ 277,277
Accounts receivable	-	181
Grants receivable	65,000	215,000
Total assets	\$ 289,780	\$ 492,458
Liabilities and net assets		
Accounts payable and accrued liabilities	\$ 6,176	\$ 4,268
Total liabilities	6,176	4,268
Net assets		
Unrestricted	218,604	273,190
Temporarily restricted	65,000	215,000
Total net assets	283,604	488,190
Total liabilities and net assets	\$ 289,780	\$ 492,458

The Herbert Scoville, Jr. Peace Fellowship

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

	Year ended December 31,			
	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
Revenue				
Foundation grants	\$ 60,000	\$ 65,000	\$ 125,000	\$ 465,000
Contributions	24,129	-	24,129	24,735
Interest and dividends	872	-	872	495
Net assets released from donor restrictions	215,000	(215,000)	-	-
Total revenue	300,001	(150,000)	150,001	490,230
Expenses				
Salary and related expenses	297,611	-	297,611	296,269
Travel and meals	29,519	-	29,519	23,615
Accounting and legal	6,890	-	6,890	7,705
Advertising and promotion expense	6,626	-	6,626	6,258
Office expense	5,994	-	5,994	1,808
Fees paid to CACNP	4,000	-	4,000	4,000
Professional fees	3,252	-	3,252	5,811
Subscriptions and publications	523	-	523	426
Postage and delivery	172	-	172	123
Total expenses	354,587	-	354,587	346,015
Change in net assets	(54,586)	(150,000)	(204,586)	144,215
Net assets, beginning of year	273,190	215,000	488,190	343,975
Net assets, end of year	\$ 218,604	\$ 65,000	\$ 283,604	\$ 488,190

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, 2016, 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, 2017, 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 July 24, 2018, which is the date the financial statements were available to be issued.

The Herbert Scoville, Jr. Peace Fellowship

Notes to the Financial Statements

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,:

	2017	2016
Program services	\$ 239,990	\$ 258,761
Supporting services:		
Management and general	102,947	76,253
Fundraising	<u>11,650</u>	<u>11,001</u>
Total expenses	<u>\$ 354,587</u>	<u>\$ 346,015</u>

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, 2017 and 2016. The Fellowship and CACNP are not under common control.