Submission of Federal Appropriated Funds Audited Statements and Related Documents to Office of Management and Budget

SEPTEMBER 30, 2018
WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Federal Appropriated Funds Financial Statements

September 30, 2018 and 2017

(With Independent Auditors’ Report Thereon)
Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditors’ Report</td>
<td>1</td>
</tr>
<tr>
<td>Federal Appropriated Funds Statements of Financial Position</td>
<td>3</td>
</tr>
<tr>
<td>Federal Appropriated Funds Statements of Activities</td>
<td>4</td>
</tr>
<tr>
<td>Federal Appropriated Funds Statements of Cash Flows</td>
<td>5</td>
</tr>
<tr>
<td>Notes to Federal Appropriated Funds Financial Statements</td>
<td>6</td>
</tr>
<tr>
<td>Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards</td>
<td>11</td>
</tr>
</tbody>
</table>
Independent Auditors’ Report

The Board of Trustees
Woodrow Wilson International Center for Scholars:

Report on the Federal Appropriated Funds Financial Statements

We have audited the accompanying Federal Appropriated Funds financial statements of the Woodrow Wilson International Center for Scholars (the Center), which comprise the Federal Appropriated Funds statements of financial position as of September 30, 2018 and 2017, 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 Federal Appropriated Funds Financial Statements

Management is responsible for the preparation and fair presentation of these Federal Appropriated Funds financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Federal Appropriated Funds financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these Federal Appropriated Funds financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Federal Appropriated Funds financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Federal Appropriated Funds financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the Federal Appropriated Funds 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 Federal Appropriated Funds 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 Federal Appropriated Funds financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Federal Appropriated Funds Financial Statements

In our opinion, the Federal Appropriated Funds financial statements referred to above present fairly, in all material respects, the Federal Appropriated Funds financial position of the Woodrow Wilson International Center for Scholars as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.
Emphasis of Matter

We draw attention to note 2 to the financial statements, which describes that the accompanying Federal Appropriated Funds financial statements were prepared to comply with the requirements of the Office of Management and Budget for the purpose of presenting the assets, liabilities, net assets, revenues, expenses, and cash flows related to the Center’s direct federal appropriations and are not intended to be a complete presentation of the Center’s financial position and activities. Our opinion is not modified with respect to this matter.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the Federal Appropriated Funds financial statements as a whole. Management’s Discussion and Analysis is presented for purposes of additional analysis and is not a required part of the Federal Appropriated Funds financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the Federal Appropriated Funds financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2018 on our consideration of the Center’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Center’s internal control over financial reporting and compliance.

McLean, Virginia
November 15, 2018
WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS
Federal Appropriated Funds Statements of Financial Position
September 30, 2018 and 2017

<table>
<thead>
<tr>
<th>Assets</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund balance with Treasury</td>
<td>$ 6,573,459</td>
<td>5,319,679</td>
</tr>
<tr>
<td>Prepaid and other assets</td>
<td>—</td>
<td>186,351</td>
</tr>
<tr>
<td>Equipment and leasehold improvements, net (note 3)</td>
<td>1,996,612</td>
<td>1,605,592</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 8,570,071</td>
<td>7,111,622</td>
</tr>
</tbody>
</table>

**Liabilities and Net Assets**

<table>
<thead>
<tr>
<th>Liabilities:</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$ 1,314,500</td>
<td>1,344,769</td>
</tr>
<tr>
<td>Grants payable</td>
<td>1,294,322</td>
<td>1,291,991</td>
</tr>
<tr>
<td>Unexpended appropriations (note 7)</td>
<td>3,964,637</td>
<td>2,869,270</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>6,573,459</td>
<td>5,506,030</td>
</tr>
<tr>
<td>Net assets – unrestricted</td>
<td>1,996,612</td>
<td>1,605,592</td>
</tr>
<tr>
<td>Commitments and contingencies (note 5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$ 8,570,071</td>
<td>7,111,622</td>
</tr>
</tbody>
</table>

See accompanying notes to Federal Appropriated Funds financial statements.
WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS  
Federal Appropriated Funds Statements of Activities  
Years ended September 30, 2018 and 2017

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriations revenue (note 7)</td>
<td>$10,763,136</td>
<td>$9,571,996</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fellows</td>
<td>1,603,982</td>
<td>1,514,761</td>
</tr>
<tr>
<td>Services to fellows</td>
<td>1,204,118</td>
<td>970,459</td>
</tr>
<tr>
<td>Conferences, outreach and special projects</td>
<td>3,634,771</td>
<td>3,263,766</td>
</tr>
<tr>
<td>Total program services</td>
<td>6,442,871</td>
<td>5,748,986</td>
</tr>
<tr>
<td>Supporting services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>3,929,245</td>
<td>3,725,955</td>
</tr>
<tr>
<td>Total expenses</td>
<td>10,372,116</td>
<td>9,474,941</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>391,020</td>
<td>97,055</td>
</tr>
<tr>
<td>Net assets – unrestricted, beginning of year</td>
<td>1,605,592</td>
<td>1,508,537</td>
</tr>
<tr>
<td>Net assets – unrestricted, end of year</td>
<td>$1,996,612</td>
<td>1,605,592</td>
</tr>
</tbody>
</table>

See accompanying notes to Federal Appropriated Funds financial statements.
WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS
Federal Appropriated Funds Statements of Cash Flows
Years ended September 30, 2018 and 2017

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$ 391,020</td>
<td>97,055</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>288,334</td>
<td>231,477</td>
</tr>
<tr>
<td>Gain on disposal of assets</td>
<td>(4,000)</td>
<td>—</td>
</tr>
<tr>
<td>Decrease (increase) in prepaid costs</td>
<td>186,351</td>
<td>(186,351)</td>
</tr>
<tr>
<td>Increase (decrease) in liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(30,269)</td>
<td>311,733</td>
</tr>
<tr>
<td>Grants payable</td>
<td>2,331</td>
<td>201,839</td>
</tr>
<tr>
<td>Unexpended appropriations</td>
<td>1,095,367</td>
<td>840,410</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>1,929,134</td>
<td>1,496,163</td>
</tr>
<tr>
<td>Cash flows from investing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of equipment and leasehold improvements</td>
<td>(675,354)</td>
<td>(328,532)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(675,354)</td>
<td>(328,532)</td>
</tr>
<tr>
<td>Net increase in Fund balance with Treasury</td>
<td>1,253,780</td>
<td>1,167,631</td>
</tr>
<tr>
<td>Fund balance with Treasury, beginning of year</td>
<td>5,319,679</td>
<td>4,152,048</td>
</tr>
<tr>
<td>Fund balance with Treasury, ending of year</td>
<td>$ 6,573,459</td>
<td>5,319,679</td>
</tr>
</tbody>
</table>

See accompanying notes to Federal Appropriated Funds financial statements.
(1) Organization, Mission, and Federal Support

The Woodrow Wilson International Center for Scholars (the Center), a publicly supported, nonprofit organization, was created by the Congress of the United States, as a living memorial—an institution that would serve as a visible tribute to our 28th president by conducting activities that symbolize and strengthen relations between the world of learning and the world of public affairs.

The Center was established under the Woodrow Wilson Memorial Act of 1968 (P.L. 90-637) as an international center for advanced studies. The Center’s purpose is accomplished through its program activities, including supporting fellows, organizing meetings ranging from small seminars to major international conferences, multimedia publications to disseminate the Center’s program information, and producing the digital Wilson Quarterly and various radio, television, webcasts, and presentations to provide scholarly reports on important domestic and global issues.

Approximately one-third of the Center’s operating budget is funded from its annual federal appropriation. Future appropriations are subject to the action of Congress and are therefore not assured. The Center received a federal appropriation of $12,000,000 for fiscal year 2018 through the Consolidated Appropriations Act, 2018 (Public Law 115-141) which shall remain available until September 30, 2019. The Center received a federal appropriation of $10,500,000 for fiscal year 2017 through the Consolidated Appropriations Act, 2017 (Public Law 115-31) which remained available until September 30, 2018. In addition to the federal appropriations, additional significant federal support is provided through the provision of office space at no cost to the Center.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying Federal Appropriated Funds financial statements present the financial position, change in net assets and cash flows related to only the federal appropriations received by the Center and is not intended to present the Center’s financial position, statement of activities or cash flows as a whole.

(b) Net Asset Classification

Revenues, gains, and losses are classified as changes in unrestricted net assets as federal appropriated funds are available to support the overall mission of the Center.

(c) Revenue Recognition

Federal appropriations revenues are recognized as exchange transactions to the extent reimbursable costs are incurred. The unexpended portion of the appropriation, for which reimbursable costs have not been incurred, are reported as unexpended appropriations on the statement of financial position. Unused appropriations are refunded five years after the period of availability (see note 7).

(d) Fund Balance with Treasury

The Fund Balance with Treasury represents appropriated funds that are available to pay current liabilities and authorized purchase commitments relative to goods or services.
(e) **Functional Allocation of Expenses**

The costs of providing various programs and support activities have been summarized on a functional basis in the federal appropriated funds statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(f) **Prepaid and Other Assets**

Prepaid and other assets consist primarily of payments the Center has made to cover certain periodic expenses before those expenses are incurred, such as subscriptions and software licenses.

(g) **Grants Payable**

The Center provides fellowship grants which are expensed and recorded as liabilities at the time the Center receives a signed offer letter from the recipient indicating acceptance of the grant.

(h) **Equipment and Leasehold Improvements**

Furniture and computer equipment is recorded at cost. Equipment acquired by transfer from government agencies is capitalized at the transfer price or at estimated fair value, taking into consideration expected use and current condition. Depreciation is recorded on a straight-line basis over the estimated useful lives of assets as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>5 to 7 years</td>
</tr>
</tbody>
</table>

Leasehold improvements are recorded at cost and are depreciated over the estimated useful life of the asset or the remaining length of the lease, whichever is less.

(i) **Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions may affect reported amounts and disclosures in the federal appropriated funds financial statements. Actual results could differ from those estimates.
(3) Equipment and Leasehold Improvements
As of September 30, 2018 and 2017, equipment and leasehold improvements, consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and equipment</td>
<td>$2,474,303</td>
<td>$1,869,550</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>$2,660,715</td>
<td>$2,660,715</td>
</tr>
<tr>
<td></td>
<td>$5,135,018</td>
<td>$4,530,265</td>
</tr>
<tr>
<td>Less accumulated depreciation and amortization</td>
<td>(3,138,406)</td>
<td>(2,924,673)</td>
</tr>
<tr>
<td></td>
<td>$ 1,996,612</td>
<td>$1,605,592</td>
</tr>
</tbody>
</table>

(4) Related Party Transactions
Under a contractual agreement, the Smithsonian Institution (the Smithsonian) provides fiscal and administrative services to the Center which primarily include Federal appropriated funds accounting, human resource, general counsel, security, and metered postage. The Act of Congress that created the Center provides that the Secretary of the Smithsonian shall be a member of the Board of Trustees of the Center.

The amount paid to the Smithsonian by the Center for these services totaled approximately $329,364 and $345,859, for the years ended September 30, 2018 and 2017, respectively.

(5) Retirement Plans
Employees of the Center are covered by retirement plans administered by the Smithsonian and Office of Personnel Management (OPM), in which substantially all Center employees are eligible to participate. OPM administers the retirement plans for federal employees, which are those employees who are paid with federal appropriated funds, and the Smithsonian administers the retirement plans for nonfederal employees.

Federal employees of the Center are covered by the Federal Employee Retirement System (FERS). The features of this system is defined in published government documents. Under this system, the Center withholds from each federal employee’s salary a required percentage. The Center also contributes specified percentages. The Center’s expense under these systems for the years ended September 30, 2018 and 2017 was approximately $522,000 and $536,000 respectively, for retirement contributions.

Employees covered by FERS are eligible to contribute to the U.S. Government’s Thrift Savings Plan (TSP), administered by the Federal Retirement Thrift Investment Board. A TSP account is automatically established for FERS-covered employees, and the Center makes a mandatory contribution of 1% of basic pay. FERS-covered employees are entitled to contribute up to $18,500 and $18,000 (IRS limits) for 2018 and 2017, respectively, to their TSP accounts, with the Center making matching contributions of up to 4% of basic pay in addition to the automatic 1% employer paid contribution.

TSP participants who will make contributions to the TSP up to the elective deferral limit, and who will be age 50 or older by the end of 2018, may also make a catch-up contribution election to contribute
additional pay to their TSP accounts. The Internal Revenue Code catch-up contribution limit for 2018 is
$6,000. If eligible, TSP participants need to make a separate election each year for catch up contributions.
These contributions may be traditional (tax-deferred) and/or Roth. The combined total contributions in tax
year 2018 may not exceed $24,500 ($18,500 in regular TSP contributions and $6,000 in catch-up
contributions). In tax year 2017, they cannot exceed $24,000 ($18,000 in regular TSP contributions, and
$6,000 in catch-up contributions).

Most federal employees are eligible to enroll in the Federal Employees Health Benefit (FEHB) Program
and the Federal Employees Group Life Insurance (FEGLI) Program. Participating employees can obtain
annual health insurance benefit and annual basic term life insurance with contribution from employee and
employer during active employment. Additional life insurance coverage is optional, to be paid fully by the
employee. The health insurance benefit and basic life insurance coverage may be continued into
retirement if certain requirements are met. The post-retirement benefits costs not paid by retirees are
covered by OPM. OPM administers both FEHB and FEGLI programs and is responsible for the reporting
of liabilities. The estimated amounts which the Center has not recognized as imputed cost related to these
post-retirement benefits are approximately $361,000 and $292,000 for the years ended September 30,
2018 and 2017, respectively.

(6) Income Taxes

The Center has been recognized by the Internal Revenue Service as exempt from income taxes under the
provisions of Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is
not a private foundation. Net unrelated business income is subject to tax. The Center has determined no
provision for income taxes is required for the years ended September 30, 2018 and 2017. Management
annually reviews its tax positions and has determined that there are no material uncertain tax positions
that require recognition in the Federal Appropriated Funds financial statements.

(7) Federal Appropriations

The U.S. Congress enacted Public Law 101-510, the Defense Authorization Act (Act), which determined
an appropriation may remain open to pay obligated balances for five years following the appropriation
availability period. After the five-year period, the appropriation account is closed and the remaining
balance is returned to the U.S. Treasury.

On September 30, 2018, the Center returned $141,497 to the U.S. Treasury, which represented the
unused fiscal year 2012 appropriation balance, which was available for a two-year period from October 1,
On September 30, 2017, the Center returned $87,594 to the U.S. Treasury, which represented the unused fiscal year 2011 appropriation balance, which was available for a two-year period from October 1, 2010 through September 30, 2012.

Appropriations revenue is reconciled to the fiscal year 2018 and 2017 federal appropriations as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriations revenue</td>
<td>$10,763,136</td>
<td>$9,571,996</td>
</tr>
<tr>
<td>Increase in unexpended appropriations</td>
<td>1,095,367</td>
<td>840,410</td>
</tr>
<tr>
<td>Returned unused appropriations</td>
<td>141,497</td>
<td>87,594</td>
</tr>
<tr>
<td>Fiscal year federal appropriation received</td>
<td>$12,000,000</td>
<td>$10,500,000</td>
</tr>
</tbody>
</table>

Federal expenses is reconciled to appropriations revenue, as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expenses</td>
<td>$10,372,116</td>
<td>$9,474,941</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>(288,334)</td>
<td>(231,477)</td>
</tr>
<tr>
<td>Add:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment and leasehold improvements</td>
<td>679,354</td>
<td>328,532</td>
</tr>
<tr>
<td>Appropriations revenue</td>
<td>$10,763,136</td>
<td>$9,571,996</td>
</tr>
</tbody>
</table>

(8) Subsequent Events

The Center has evaluated subsequent events from October 1, 2018 through November 15, 2018 the date the financial statements were available to be issued, and determined there were no items to disclose.
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

The Board of Trustees
Woodrow Wilson International Center for Scholars:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Federal Appropriated Funds financial statements of the Woodrow Wilson International Center for Scholars (the Center), which comprise the Federal Appropriated Funds statement of financial position as of September 30, 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the Federal Appropriated Funds financial statements as of and for the year ended September 30, 2018, we considered the Center’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Federal Appropriated Funds financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Center’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center’s Federal Appropriated Funds financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Center’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McLean, Virginia
November 15, 2018
November 15, 2018

KPMG LLP
1676 International Drive
McLean, VA 22102

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the Federal Appropriated Funds statement of
financial position of Woodrow Wilson International Center for Scholars (the Center) as of September 30,
2018 and 2017, the related statements of activities, and cash flows for the year then ended, and the
related notes to the federal appropriated funds financial statements (hereinafter referred to as the
"Federal Appropriated Funds Financial Statements") for the purpose of expressing an opinion as to
whether these federal appropriated fund financial statements present fairly, in all material respects, the
financial position, changes in net assets, and cash flows of the Center in accordance with U.S. generally
accepted accounting principles.

The closing package federal appropriated funds financial statements were prepared to comply with the
requirements of the Office of Management and Budget for the purpose of presenting the assets, liabilities,
net assets, revenues, expenses, and cash flows related to the Center's direct federal appropriations, and
are not intended to be a complete presentation of the statement of financial position of the Center as of
September 30, 2018 and 2017, and related statements of activities and cash flows (hereinafter referred to
as "general-purpose financial statements") for the years then ended.

Certain representations in this letter are described as being limited to matters that are material. Items are
considered material, regardless of size, if they involve an omission or misstatement of accounting
information that, in the light of surrounding circumstances, makes it probable that the judgment of a
reasonable person relying on the information would be changed or influenced by the omission or
misstatement.

We confirm, to the best of our knowledge and belief, as of November 15, 2018:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated
   September 11, 2018, for the preparation and fair presentation of the financial statements in
   accordance with U.S. generally accepted accounting principles.

2. We have made available to you:
   a. All records, documentation, and information that is relevant to the preparation and fair
      presentation of the federal appropriated funds financial statements;
   b. Additional information that you have requested from us for the purpose of the audits;
   c. Unrestricted access and the full cooperation of personnel within the entity from whom you
ten determined it necessary to obtain audit evidence; and

Tackling global issues through independent research, open dialogue and actionable ideas.
d. All minutes of the meetings of the Board of Trustees and committees of the Board of Trustees, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.

e. All reports from the Center’s service organizations.

3. Except as disclosed to you in writing, there have been no communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the federal appropriated funds financial statements.

4. There are no known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

5. All material transactions have been recorded in the accounting records and are reflected in the federal appropriated funds financial statements.

6. There are no side agreements or other arrangements (either written or oral).

7. All events subsequent to the date of the federal appropriated funds financial statements and through the date of this letter for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, Contingencies.

9. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the federal appropriated funds financial statements.

10. The effects of the uncorrected federal appropriated funds financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the federal appropriated funds financial statements taken as a whole.

11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the federal appropriated funds financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the federal appropriated funds financial statements, whether due to error or fraud. We understand that the term “fraud” is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.

12. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Center’s ability to initiate, authorize, record, process, or report financial data. We have separately disclosed to you all such deficiencies that we believe to be significant deficiencies or material weaknesses in internal control over financial reporting, as those terms are defined in AU-C Section 265, Communicating Internal Control Related Matters Identified in an Audit.

13. We have disclosed to you the results of our assessment of the risk that the federal appropriated funds financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
   a. Management
   b. Employees who have significant roles in internal control
   c. Others where the fraud could have a material effect on the [consolidated] financial statements.

15. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s federal
    appropriated funds financial statements communicated by employees, former employees, analysts,
    regulators, or others.

16. We have no knowledge of any officer or trustee or member of governing body of the Center, or any
    other person acting under the direction thereof, having taken any action to fraudulently influence,
    coerce, manipulate, or mislead you during your audit.

17. We have no loans to executive officers, non-accrued loans, or zero-interest rate loans.

18. Significant assumptions used by us in making accounting estimates are reasonable.

19. We have disclosed to you the identity of our related parties and all the related party relationships and
    transactions of which we are aware.

20. The following have been properly recorded or disclosed in the federal appropriated funds financial
    statements:
   a. Related party relationships and transactions, of which we are aware, in accordance with U.S.
      generally accepted accounting principles, including sales, purchases, loans, transfers, leasing
      arrangements, guarantees, ongoing contractual commitments and amounts receivable from or
      payable to related parties.
   b. Guarantees, whether written or oral, under which the Center is contingently liable, including
      guarantee contracts and indemnification agreements pursuant to FASB ASC Topic 460,
      Guarantees.
   c. Significant estimates and material concentrations known to management that are required to be
      disclosed in accordance with FASB ASC Topic 275, Risks and Uncertainties.
      Significant estimates are estimates at date of the statement of financial position that could change
      materially within the next year. Concentrations refer to volumes of business, revenues, available
      sources of supply, or markets or geographic areas for which it is reasonably possible that events
      could occur which would significantly disrupt normal finances within the next year.
   d. Significant common ownership or management control relationships requiring disclosure
   e. Agreements to repurchase assets previously sold, including sales with recourse.
   f. Changes in accounting principle affecting consistency
   g. Significant relationships with affiliated organizations, and the financial statements of those
      organizations, where required.
   h. All assets and liabilities under the Center’s control.

21. The Center has satisfactory title to all owned assets, and there are no liens or encumbrances on such
    assets, nor has any asset been pledged as collateral.
22. The Center has complied with all aspects of contractual agreements that would have a material effect on the federal appropriated funds financial statements in the event of noncompliance.

23. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Center’s current period federal appropriated funds financial statements, and the expected impact of each such policy and practice on future periods’ financial reporting. We believe the effect of these policies and practices on the federal appropriated funds financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the federal appropriated funds financial statements in future periods.

24. The Center has classified net assets as unrestricted, temporarily restricted, or permanently restricted based on our assessment of the donor’s intention, as specified in original donor correspondence where available. Where not available, we used other corroborating evidential matter including minutes of the Board, accounting records, and financial statements. To the extent that we were unable to review original donor correspondence to determine the amount of the original gift and donor additions, our determination of such amount was based on our best estimate considering the relevant facts and circumstances. Amounts classified as temporarily restricted are subject to donor-imposed purpose or time restrictions which precluded us from expending such amounts or recognizing such amounts as unrestricted as of the date of the statement of financial position. Amounts classified as permanently restricted are subject to donor-imposed or statutory restrictions which require these amounts to be held in perpetuity. In addition, we have classified appreciation and income related to such donations in accordance with relevant donor or statutory restrictions. Losses on investments of a donor-restricted endowment fund have been classified in accordance with FASB ASC Subtopic 958-320, Not-for-Profit Entities -- Investments—Debt and Equity Securities.

25. The significant assumptions used in our fair value measurements and disclosures are reasonable and appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the fair value measurement and disclosure.

26. The Center has a reasonable basis for allocation of functional expenses.

27. The Center has been recognized as exempt from federal income taxes under 501(a) of the Internal Revenue Code of 1986 as an organization described in Section 501(c)(3) of the Code, as evidenced by our determination letter dated January 10, 1979, a copy of which has been furnished to you. Since the date of our determination letter, no changes have occurred in the organization or operation of the Center that would affect our tax-exempt status. Provision has been made, where material, for any federal, state or local income, excise, employment, property, sales and use, or other tax liability.

28. We are planning to issue other information in documents that include the audited federal appropriated funds financial statements. The information is currently not available but the final version will be provided to you when available, and prior to its issuance.

29. In accordance with Government Auditing Standards, we have identified to you all previous audits, attestation engagements, and other studies that relate to the objectives of this audit, including whether related recommendations have been implemented.

30. KPMG LLP assisted management in drafting the federal appropriated funds financial statements and notes. In accordance with Government Auditing Standards, we confirm that we have reviewed, approved, and accept responsibility for the Federal appropriated funds financial statements and notes.
31. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the Entity. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of the Federal appropriated funds financial statement amounts.

32. Service and subservice organizations that we use have not reported to us, nor are we otherwise aware of, any (1) fraud; (2) noncompliance with applicable laws, regulations, contracts, or grant agreements; or (3) uncorrected misstatements affecting the Federal appropriated funds financial statements that are attributable to such service or subservice organizations.

33. Service and subservice organizations that we use have not reported to us, nor are we otherwise aware of, any changes in the design, implementation, or operating effectiveness of internal controls at the service or subservice organizations subsequent to the effective dates of the service and subservice organizations’ reports provided to you that could (1) affect the risks of material misstatement of the Federal appropriated funds financial statements or (2) result in material misstatements of the Federal appropriated funds financial statements arising from processing errors that would not be prevented, or detected and corrected, on a timely basis.

Very truly yours,

Woodrow Wilson International Center for Scholars

[Signature]

Jane Harman

President and Chief Executive Officer

[Signature]

Michael Forster

Chief Operating Officer

[Signature]

Sue Howard

Deputy Chief Financial Officer
### Summary of Uncorrected Audit Misstatements

As of and for Year Ended September 30, 2018

<table>
<thead>
<tr>
<th>ID</th>
<th>Description of misstatement</th>
<th>Type of misstatement</th>
<th>Accounts</th>
<th>Debit</th>
<th>[Credit]</th>
<th>Income effect of correcting the balance sheet in prior period (carryforward from prior period)</th>
<th>Income effect of correcting the current period balance sheet</th>
<th>Income effect according to Rollover (Income Statement) method</th>
<th>Net Assets</th>
<th>Assets</th>
<th>Liabilities</th>
<th>Operating Activities</th>
<th>Investing Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>AM1</td>
<td>To correct the prior year effect related to received goods/services that were not posted by the service provider as accrued expenses and accrued payables in FY17, which was identified by the WC Financial Management Office. The reversing effect of the prior year (FY17) is $51,338.</td>
<td>Factual</td>
<td>Services to Fellows</td>
<td>445</td>
<td>(445)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Conference and Outreach Expense</td>
<td></td>
<td></td>
<td>24,579</td>
<td>(24,579)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>G&amp;A Expense</td>
<td></td>
<td></td>
<td>26,314</td>
<td>(26,314)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Appropriations Revenue</td>
<td></td>
<td></td>
<td>(51,338)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AM2</td>
<td>To correct the non-gaap policy for not recording prepaid expenses of $115k in FY18</td>
<td>Factual</td>
<td>Appropriations Revenue</td>
<td>114,749</td>
<td>114,749</td>
<td>114,749</td>
<td>114,749</td>
<td>114,749</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unexpended Appropriations</td>
<td></td>
<td></td>
<td>(114,749)</td>
<td>0</td>
<td>0</td>
<td>114,749</td>
<td>(114,749)</td>
<td>(114,749)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Prepaid and other Assets</td>
<td></td>
<td></td>
<td>114,749</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other Expenses - General &amp; Administrative</td>
<td></td>
<td></td>
<td>(21,583)</td>
<td>(21,583)</td>
<td>(21,583)</td>
<td>(21,583)</td>
<td>(21,583)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Other Expenses - Scholarly Expense</td>
<td></td>
<td></td>
<td>(84,939)</td>
<td>(84,939)</td>
<td>(84,939)</td>
<td>(84,939)</td>
<td>(84,939)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Other Expenses - Conference, Outreach, and Special Projects</td>
<td></td>
<td></td>
<td>(8,227)</td>
<td>(8,227)</td>
<td>(8,227)</td>
<td>(8,227)</td>
<td>(8,227)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>AM4</td>
<td>To correct the non-gaap policy for not recognizing benefits provided to WC employees through the FEHB program</td>
<td>Factual</td>
<td>Imputed Costs</td>
<td>361,241</td>
<td>361,241</td>
<td>361,241</td>
<td>361,241</td>
<td>361,241</td>
<td>361,241</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Imputed Financing Sources</td>
<td></td>
<td></td>
<td>361,241</td>
<td>361,241</td>
<td>361,241</td>
<td>361,241</td>
<td>361,241</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Aggregate effect of uncorrected audit misstatements</td>
<td></td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>114,749</td>
<td>(114,749)</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Financial statement amounts (per Final Financial Statement): 1,996,612, 6,573,651, 1,929,134, 675,354

Uncorrected audit misstatements as a percentage of financial statement amounts: 0.00%, 0.00%, 1.34%, 1.75%, 0.00%, 0.00%
Wilson Center
Organizational Structure
Introduction

This report, Management’s Discussion and Analysis (un-audited), provides an overview of the federal financial position and results of federal appropriated funded activities of the Woodrow Wilson International Center for Scholars (the “Center”) for the fiscal year ended September 30, 2018 (FY 2018). Prepared by Management, it contains supplemental information to the Center’s special-purpose federal appropriated funds audited financial statements and footnotes. This information was developed to assist readers of these statements in better understanding the Center’s federally appropriated financial position and operating activities.

Established by Act of Congress in 1968 (P.L. 90-637) and headquartered in Washington, D.C., the Woodrow Wilson International Center for Scholars is the official, “living,” national memorial to President Wilson. In providing an essential link between the worlds of ideas and public policy, the Center addresses current and emerging challenges confronting the United States and the world. The Center promotes policy-relevant research and dialogue to increase understanding and enhance the capabilities and knowledge of leaders, citizens, and institutions worldwide. The Center is a non-partisan institution supported by both public and private funds.

The Woodrow Wilson Center, while initially established and located within the Smithsonian Institution, operates as a separate trust instrumentality of the United States Government. The Wilson Center remains affiliated with the Smithsonian and provides an annual fee to them for certain administrative and legal services.

The Wilson Center’s mission is to be the nation’s key non-partisan policy forum for tackling global issues through independent research and open dialogue to inform actionable ideas for Congress, the Administration and the broader policy community. The Center’s mission is consonant with the mission of the Smithsonian, “an establishment for the increase and diffusion of knowledge ...”

While not part of the Smithsonian governance structure, the Secretary of the Smithsonian is an ex officio member of the Center’s statutory Board of Trustees which also consists of the Secretary of State, Secretary of Health and Human Services, Secretary of Education, Chairman of the National Endowment for the Humanities, Librarian of Congress, and the Archivist of the United States, nine members appointed by the President from the private sector, and one member appointed by the President from within the federal government.

The Center is also advised and supported by the Wilson National Cabinet, the Wilson Council, the Wilson Corporate Council, and the Wilson Global Advisory Council, all groups of private and
corporate citizens, whose members are drawn largely from business, the professions and public service. Their broad range of expertise helps the Center in achieving its mandate of bridging the worlds of academia, business, and policy. Engaging these members on topics of interest in our world today both adds to their understanding of contemporary issues as well as provides another dimension to the Center's on-going conversation on these matters.

The Wilson Center is the model of a successful public-private partnership, attracting solid support from private donors who believe in the mission of this public institution. The Center’s appropriation provides a stable base that encourages donors to contribute. Federal support gives donors confidence that they are contributing to an established, national institution. The Center, in utilizing the federal appropriation, leverages private funding that it strives to increase every year to support the very core of its mandate – providing a living memorial to President Woodrow Wilson by honoring his scholarship and public/government service.

Financial Statements Summary

The Center’s financial position remains strong at September 30, 2018, with total federal assets of $8,570,071 and total federal liabilities of $6,573,459. Net assets, which represent the Center’s residual interest in the assets after deduction of liabilities, are $1,996,612.

STATEMENT OF FINANCIAL POSITION

ASSETS

Fund Balance with U.S. Treasury. The $6,573,459 represents the Center’s balance with the U.S. Treasury.

Equipment and Leasehold Improvements, net. The $1,996,612 represents: a) the capitalized furniture and computer equipment which is recorded and depreciated over the estimated useful lives of the property; and b) capitalized leasehold improvements recorded at cost and amortized over the estimated life of the asset or the remaining length of the lease, whichever is less.

LIABILITIES. Liabilities consist primarily of accounts payable and accrued expenses, including amounts relating to compensation (totaling $1,314,500). The Center also has grants payable for fellowship grants which are expensed and recorded as liabilities at the time recipients are notified, accept and become entitled to the grants (totaling $1,294,322). The unexpended appropriations total $3,964,637.
Net Assets. Net Assets represents the depreciated value of the Center’s leasehold improvements and equipment (totaling $1,996,612).

STATEMENT OF ACTIVITIES

The Statement of Activities presents the Center’s results of federal appropriated financial activity for the fiscal year and matches revenues to related expenses. The statement summarizes the annual gain/loss in equity.

Revenue. Federal appropriations revenue is recorded as exchange transactions. Revenue is recognized to the extent eligible costs are incurred. FY 2018 appropriations revenue totaled $10,763,136.

Expenses. The costs of providing various programs and support activities have been summarized on a functional basis in the statement of activities. FY 2018 expenses totaled $10,372,116.

Change in Net Assets. The change in net assets is $391,020, which summarizes the annual gain in equity and is the differential between the federal appropriations revenue and expenses during the fiscal year.

MANAGEMENT INTEGRITY: CONTROLS AND COMPLIANCE

The Center maintains a comprehensive management control program through the activities of the Smithsonian’s Inspector General as part of an administrative services agreement with the Smithsonian, the efforts by the Audit Committee of the Center’s Board of Trustees, and the ongoing hands-on efforts to review and improve controls by management staff.

Based on this program, the Center has reasonable assurance that:

a. The financial reporting is reliable.

b. The Center is in compliance with all applicable laws and regulations.

c. Management’s performance reporting systems are reliable.

The Wilson Center Director, the Chief Operating Officer and Chief Financial Officer all sign a representation letter to the external auditors, KPMG, stating that the Center’s special-purpose federal appropriated financial statements, as well as the audited annual consolidated financial statements issued later, comply with all applicable regulations and accounting principles to the best of their knowledge.
FUTURE CONCERNS AND ISSUES

The Wilson Center is an outstanding institution, but it will achieve even greater impact on public ideas as it sharpens its focus and increases its relevance over the next several years. At a time of divisive debates among people of different political, religious, and national backgrounds, the Wilson Center stands as a beacon to reasoned dialogue and balanced, independent research that can bridge these divides and bring credible information and original ideas to vital issues of public policy.

The Wilson Center maintains an active strategic plan where goals are formulated to build on the excellence in worldwide regional programming recognized by our peers, policymakers, and the media. Emphasis is focused on cross-regional issues to expand our brand, impact, and sustainability.

The following strategic goals have been adopted to help improve the Center’s future:

1. Strengthen existing Programs and deepen their alignment with Fellows - Maintaining and enhancing Program excellence is a key to accomplishing our cross-regional vision. Creating core metrics: 1) to assess current, comparative Program strength to ensure Programs can collaborate as effectively as possible on cross-regional issues, and 2) to assess Fellows’ alignment with Programs. We will refine plans for developing a Wilson Center worldwide alumni network in tandem with focused recruiting and selection of incoming fellows and scholars whose work will be accessible to both the general public and policy audiences.

2. Refine a selection of cross-regional issue priorities in which the Center can be eminent – Identify a limited number of cross-regional issues where we 1) maximize inclusion of relevant content of all Programs and Fellows in the cross-regional initiatives, 2) maximize effectiveness of Congressional and policymaker education programming, and 3) promote Program collaboration and alignment in the cross-regional initiatives.

3. Enhance communications, outreach, and branding by updating existing content distribution platforms, identifying new platforms, and amplifying impact worldwide – In recent years, the Wilson Center has received awards for its digital media products. We will continue to make strides in organization wide coordinated efforts and being at the forefront of communications capabilities to 1) improve branding and elevate the Wilson Center’s public profile, 2) upgrade the website and utilization of social media platforms, and 3) develop partnerships that provide resources and amplify outreach.

4. Ensure sustainability and growth in unrestricted funding while aligning those efforts with cross-regional priorities, and also continue to sustain and increase the Center’s Federal support - The Center is recruiting for the Vice President for Development which is currently a vacant Trust funded position. Funding sources must be significantly enhanced; hiring
additional professional staff, particularly for recruiting new donors and deepening relationships with current donors, is critical to this effort. In consultation with the new Vice President of Development, professional staff position descriptions will be revamped to expand efforts in corporate relations, individual giving, and liaising across Programs. In addition, we will pursue efforts to clarify responsibilities of new members of the Board of Trustees to give or raise funds annually.

5. Invest in staff and infrastructure - Investment in staff and infrastructure are critical to delivering on the Wilson Center’s strategic vision. Recent additions in federal funding and unrestricted funding have moved the Center in a positive direction. The Wilson Center will build on this momentum through 1) refining the personnel structure to support excellence, 2) maximizing hiring flexibility and fostering an inclusive workforce to support its mission, vision, and Core Values, 3) making key investments in physical plant infrastructure needs identified as priorities by management, and 4) bolstering transparency within the framework of our Core Values.

The Center also faces constant, wide-ranging and challenging issues that include:

a. balancing stagnant and limited growth in its appropriations against real inflationary costs over a running five year period - this grows increasingly challenging, wherein the elasticity is virtually exhausted despite being frugal and carefully choosing where to make investments;

b. obtaining foundation and other private funding to ensure its ability to maintain activities and programming at a time of prospective economic variability and continued global economic uncertainty;

c. achieving a sustainable balance between not overloading the Center’s small administrative staff and space capacity, while providing adequate and necessary infrastructure and support services that uphold all activities of the Center; and

d. dealing with the fact that the institution remains too dependent on a concentrated core of staff and scholars, lacking a deep bench, though progress has been made over recent years. Given the size of our institution, succession planning has been challenging and there are minimal opportunities for advancement for younger staff. Many staff also struggle with the need to balance programming and their own scholarship in the field.
The Wilson Center cannot be complacent: we either move forward in our agenda, mission and purpose, or we quickly become less relevant. Our recently updated strategic plan provides a blueprint with key priorities. We are respectful and understand the challenged funding climate, as we remain accountable for our work to our key stakeholders, including Congress, OMB and the general public. The Center can – and will – continue evolving rapidly to respond to changing needs for quality non-partisan research and dialogue that can directly participate in the most important policy discussions shaping the future of the United States and the global community. This is consonant with our mission, vision and strategies, and since inception, we feel strongly that the Wilson Center has accepted and met the challenge.