

**WORLD MONUMENTS FUND, INC.  
AND SUBSIDIARIES**

**Consolidated Financial Statements  
For Year Ended  
June 30, 2013**

**Independent Auditor's Report**

To the Board of Trustees of  
World Monuments Fund, Inc.

We have audited the accompanying consolidated financial statement of World Monuments Fund, Inc. and Subsidiaries (collectively, the "Organization") which comprise the statement of financial position as of June 30, 2013 and the related consolidated statements of activities and cash flows for the year then ended and the related notes to the consolidated financial statements. We did not audit the financial statements of World Monuments Fund Britain, World Monuments Fund Italy and World Monuments Fund France (collectively the "Subsidiaries"), which statements reflect total combined assets of \$5,167,274 as of June 30, 2013 and total combined revenue of \$5,358,406 expenses of \$4,835,123 and other deductions of \$(93,374) for the year then ended. Those statements were audited and compiled by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the field operations of the Subsidiaries, is based solely on the reports of the other auditors. The prior year's summarized comparative consolidated information has been derived from the Organization's fiscal 2012 consolidated financial statements and, in our report dated September 26, 2012, we and other auditors, of those Subsidiaries that were audited, expressed an unqualified opinion on those consolidated financial statements.

***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of World Monuments Fund, Inc. and Subsidiaries as of June 30, 2013, and the results of their consolidated activities and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2013 on our consideration of the Organization'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 Organization's internal control over financial reporting and compliance.

Condon O'Meara McGinty + Donnelly LLP

October 7, 2013

**WORLD MONUMENTS FUND, INC. AND SUBSIDIARIES**

**Consolidated Statement of Financial Position**

**Assets**

	June 30				
	2013			2012	
	<u>WMF</u>	<u>Subsidiaries</u>	<u>Eliminating Items</u>	<u>Consolidated</u>	<u>Consolidated</u>
<b>Current assets</b>					
Cash and cash equivalents	\$ 1,437,661	\$ 2,761,599	\$ -	\$ 4,199,260	\$ 8,775,129
Temporary investments	7,082,385	-	-	7,082,385	6,572,310
Accounts receivable	191,773	5,297	(74,727)	122,343	87,216
Prepaid expenses	141,699	21,420	(9,115)	154,004	94,835
Current portion of contributions receivable, net	<u>10,359,747</u>	<u>2,365,456</u>	<u>(2,365,456)</u>	<u>10,359,747</u>	<u>13,430,686</u>
Total current assets	19,213,265	5,153,772	(2,449,298)	21,917,739	28,960,176
<b>Endowment investments, at fair value</b>	29,129,417	-	-	29,129,417	24,454,296
<b>Contributions receivable, net of current portion</b>	18,525,249	-	-	18,525,249	12,988,786
<b>Property and equipment, net</b>	661,856	13,502	-	675,358	776,383
<b>Security deposits</b>	<u>338,969</u>	<u>-</u>	<u>-</u>	<u>338,969</u>	<u>314,035</u>
<b>Total assets</b>	<b><u>\$67,868,756</u></b>	<b><u>\$ 5,167,274</u></b>	<b><u>\$ (2,449,298)</u></b>	<b><u>\$70,586,732</u></b>	<b><u>\$ 67,493,676</u></b>

**Liabilities and Net Assets**

<b>Current liabilities</b>					
Accounts payable and other	\$ 1,275,267	\$ 2,470,580	\$ (2,449,298)	\$ 1,296,549	\$ 842,831
Accrued expenses	<u>24,195</u>	<u>280,219</u>	<u>-</u>	<u>304,414</u>	<u>39,000</u>
Total current liabilities	1,299,462	2,750,799	(2,449,298)	1,600,963	881,831
Deferred rent	<u>185,158</u>	<u>-</u>	<u>-</u>	<u>185,158</u>	<u>208,869</u>
Total liabilities	<u>1,484,620</u>	<u>2,750,799</u>	<u>(2,449,298)</u>	<u>1,786,121</u>	<u>1,090,700</u>
<b>Net assets</b>					
Unrestricted	3,343,576	713,337	-	4,056,913	4,784,938
Unrestricted – Board- designated endowment	<u>2,789,008</u>	<u>-</u>	<u>-</u>	<u>2,789,008</u>	<u>2,466,760</u>
Total unrestricted net assets	6,132,584	713,337	-	6,845,921	7,251,698
Temporarily restricted	35,800,003	1,703,138	-	37,503,141	37,277,226
Permanently restricted	<u>24,451,549</u>	<u>-</u>	<u>-</u>	<u>24,451,549</u>	<u>21,874,052</u>
Total net assets	<u>66,384,136</u>	<u>2,416,475</u>	<u>-</u>	<u>68,800,611</u>	<u>66,402,976</u>
<b>Total liabilities and net assets</b>	<b><u>\$67,868,756</u></b>	<b><u>\$ 5,167,274</u></b>	<b><u>\$ (2,449,298)</u></b>	<b><u>\$70,586,732</u></b>	<b><u>\$ 67,493,676</u></b>

See notes to consolidated financial statements.

**Consolidated Statement of Activities**  
**Year Ended June 30, 2013**  
**(with Summarized Comparative Information for the Year Ended June 30, 2012)**

See notes to consolidated financial statements.

# WORLD MONUMENTS FUND, INC. AND SUBSIDIARIES

## Consolidated Statement of Cash Flows

	Year Ended	
	June 30	
	2013	2012
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 2,397,635	\$ 6,827,605
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Contributions – permanently restricted	(266,038)	(798,169)
Donated investments	(45,224)	(205,870)
Sale of donated investments	45,224	-
Depreciation	151,035	147,110
Net realized and unrealized (gain) loss on investments	(3,316,858)	748,743
Loss on disposal of asset	53	-
Amortization of deferred rent	(23,711)	(23,710)
(Increase) decrease in assets		
Accounts receivable	(35,127)	25,248
Contributions receivable	(2,465,524)	940,852
Prepaid expenses	(59,169)	90,248
Security deposit	(24,934)	451,929
Increase (decrease) in liabilities		
Accounts payable and other	453,718	254,203
Accrued expenses	265,414	9,810
Net cash provided by (used in) operating activities	<u>(2,923,506)</u>	<u>8,467,999</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	7,686,742	3,339,668
Purchase of investments	(9,555,080)	(7,996,895)
Proceeds from disposal of asset	461	-
Purchase of property and equipment, net	<u>(50,524)</u>	<u>(63,777)</u>
Net cash (used in) investing activities	<u>(1,918,401)</u>	<u>(4,721,004)</u>
<b>Cash flows from financing activities</b>		
Contributions – permanently restricted	<u>266,038</u>	<u>798,169</u>
Net increase (decrease) in cash and cash equivalents	<u>(4,575,869)</u>	<u>4,545,164</u>
Cash and cash equivalents, beginning of year	<u>8,775,129</u>	<u>4,229,965</u>
Cash and cash equivalents, end of year	<u>\$ 4,199,260</u>	<u>\$ 8,775,129</u>

See notes to consolidated financial statements.

## WORLD MONUMENTS FUND, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2013

#### Note 1 – Nature of organization

World Monuments Fund, Inc. (“WMF”) was incorporated in 1965 as a not-for-profit organization. WMF was organized to preserve important historic architectural sites and works of art without regard to national boundaries.

#### Note 2 – Summary of significant accounting policies

##### Report presentation

The consolidated financial statements of the Organization include the accounts of its European branch office, and its wholly owned Subsidiaries World Monuments Fund Britain, World Monuments Fund Italy and World Monuments Fund France. WMF has the power to control the financial and operating policies of its Subsidiaries by exercising control over more than half of the voting rights. Interoffice accounts and transactions were eliminated in the consolidated financial statements between WMF and its Subsidiaries. There were no material interoffice accounts or transactions that were required to be eliminated in the consolidated financial statements between WMF and its European branch office.

WMF does not include the accounts of its independent affiliated organizations due to the fact that WMF does not control these organizations. All non-controlled affiliated organizations use the World Monuments Fund name and their offices are located in Peru, Portugal, and Spain.

##### Contributions

The Organization reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulation expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily and permanently restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. The net assets that were released from restrictions were used to fund the programs discussed in note 1 to the consolidated financial statements.

##### Cash equivalents

The Organization considers highly liquid assets with an original maturity of 90 days or less to be cash equivalents.

##### Allowance for doubtful accounts

At June 30, 2013 and June 30, 2012, WMF has provided \$250,000 for an allowance for doubtful accounts for any potentially uncollectible contributions receivable. Such estimate is based on management’s experience, the aging of the receivables, subsequent receipts and current economic conditions.

**WORLD MONUMENTS FUND, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****June 30, 2013****Note 2 – Summary of significant accounting policies (continued)****Investments**

The investments are recorded in the consolidated financial statements at fair value. Net investment return is allocated between unrestricted, temporarily restricted and permanently restricted net assets. The cost of investments sold is determined on a first-in, first-out basis.

**Property and equipment**

Property and equipment above a nominal value and with an estimated useful life of one year or longer are recorded at cost. Furniture, fixtures and equipment are being depreciated on the straight-line method over the estimated useful lives of the assets ranging from three to ten years. Leasehold improvements are being amortized over the life of the lease. For the 2013 fiscal year, fully depreciated property and equipment totaling \$25,576 were removed from the books and records. In addition, equipment for WMF, with a net cost basis of \$514, was sold for \$461 resulting in a loss on disposal of \$53.

**Allocation of expenses**

The costs of providing the various programs have been summarized on a functional basis in the statement of activities and the costs of the supporting services have been summarized in note 11. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

**Concentrations of credit risk**

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments and receivables. At times, certain of the Organization's cash balances exceeded the FDIC insurance limit, however, the Organization has not incurred any losses in such accounts to date. The Organization places its cash and cash equivalents with what it believes to be quality financial institutions. The Organization invests in demand notes, money market funds, mutual funds, common stocks, limited partnerships and other investments. Due to the level of uncertainty related to the changes in interest rates, market volatility and credit risks, it is reasonably possible that changes in these risks could materially affect the fair value of investments reported in the consolidated statement of financial position at June 30, 2013. However, the Organization routinely assesses the financial strength of its cash and investment portfolio. The Organization routinely monitors the collectability of its receivables and believes that its receivables are collectible. As a consequence, concentrations of credit risk are believed to be limited.



# WORLD MONUMENTS FUND, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

June 30, 2013

### Note 2 – Summary of significant accounting policies (continued)

#### Comparative financial information

The consolidated financial statements include certain prior-year summarized comparative financial information in total for WMF prior to the consolidation and not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the WMF's consolidated financial statements for the year ended June 30, 2012, from which the summarized information was derived.

#### Foreign currency translation

The consolidated financial statements are presented in U.S. dollars, which is the functional currency of the parent company. In consolidation, assets and liabilities have been translated into U.S. dollars at the closing rate on June 30, 2013. Income and expenses have been translated into U.S. dollars at the average rate over the fiscal year.

#### Reclassifications

Certain items from the 2012 fiscal year financial statements have been reclassified for comparative purposes only.

#### Subsequent events

The Organization has evaluated events and transactions for potential recognition or disclosure through October 7, 2013, which is the date the consolidated financial statements were available to be issued.

### Note 3 – Contributions receivable

Contributions receivable are unconditional promises from external organizations and individuals to donate to the Organization. As of June 30, 2013, contributions receivable, which are reflected at their present value discounted by approximately \$1,150,000, at either 4%, 6% or 8%, based on the year of the pledge, are due as follows:

<u>Fiscal year</u>	<u>Total</u>
2014	\$ 10,359,747
2015	8,996,990
2016	4,905,548
2017	2,600,617
2018	1,769,640
2019 and thereafter	<u>502,454</u>
Sub-total	29,134,996
Less: Allowance for uncollectible contributions	<u>(250,000)</u>
Total	28,884,996
Less: Portion due within one year	<u>10,359,747</u>
Long-term portion	<u>\$ 18,525,249</u>

**WORLD MONUMENTS FUND, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (continued)**

**June 30, 2013**

**Note 4 – Investments**

As of June 30, 2013 and June 30, 2012, the investments consisted of the following:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Demand notes and money market funds	\$ 6,891,399	\$ 6,902,240	\$ 5,871,051	\$ 5,871,051
Fixed income Mutual funds	9,343,755	11,163,707	8,588,731	10,272,824
Equity mutual funds	1,358,730	2,871,093	1,282,150	2,534,063
Common stocks	2,705,752	3,310,775	3,449,852	3,613,487
Limited partnerships and other	<u>7,613,656</u>	<u>11,963,987</u>	<u>6,685,870</u>	<u>8,735,181</u>
Total	<u>\$ 27,913,292</u>	<u>\$ 36,211,802</u>	<u>\$ 25,877,654</u>	<u>\$ 31,026,606</u>

Investments consist of:

	<u>2013</u>	<u>2012</u>
Temporary	\$ 7,082,385	\$ 6,572,310
Endowment	<u>29,129,417</u>	<u>24,454,296</u>
Total	<u>\$ 36,211,802</u>	<u>\$ 31,026,606</u>

For the year ended June 30, 2013, investment return consisted of the following:

Interest and dividends, including foreign currency transactions	\$ 1,533,555
Net realized gain on investments	167,299
Unrealized gain on investments	3,149,559
Custodial fees	<u>(17,346)</u>
Total	<u>\$ 4,833,067</u>

**WORLD MONUMENTS FUND, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (continued)**

**June 30, 2013**

**Note 4 – Investments (continued)**

**Fair value measurement**

Fair value refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value hierarchy gives the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. Fair value measurements are required to be separately disclosed by level within the fair value hierarchy. The three levels of inputs that may be used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Observable inputs other than Level 1 prices, such as quoted prices of similar assets; quoted prices in markets with insufficient volume or infrequent transactions (less active markets).
- Level 3 – Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets.

The following table summarizes the Organization's investments measured at fair value on a recurring basis as of June 30, 2013:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Demand notes and money market funds	\$ 6,902,240	\$ 6,902,240	\$ -	\$ -
Fixed income – mutual funds	11,163,707	11,163,707	-	-
Equity mutual funds	2,871,093	2,871,093	-	-
Common stock	3,310,775	3,310,775	-	-
Limited partnerships and other	<u>11,963,987</u>	<u>-</u>	<u>-</u>	<u>11,963,987</u>
Total investments	<u>\$ 36,211,802</u>	<u>\$ 24,247,815</u>	<u>\$ -</u>	<u>\$ 11,963,987</u>

The following is a summary of changes in the fair value of the Organization's Level 3 investments for the year ended June 30, 2013:

Balance, June 30, 2012	\$ 8,735,181
Purchases	1,000,000
Proceeds from sales	(2,911)
Net realized (loss)	(69,303)
Net unrealized gain	<u>2,301,020</u>
Balance, June 30, 2013	<u>\$ 11,963,987</u>

**WORLD MONUMENTS FUND, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (continued)**

**June 30, 2013**

**Note 4 – Investments (continued)**

**Fair value measurement (continued)**

WMF's alternative investments are composed of various funds with different investment objectives. These funds have restrictions on withdrawals and transferability. Depending on the fund, withdrawals require written notice to each fund ranging from 30 to 180 days prior to withdrawal, as well as certain other requirements and restrictions, such as minimum withdrawals, fees, etc. The ability of WMF to withdraw capital from these funds is subject to the ability of these funds to withdraw capital from their underlying investments. Many underlying investments have the right to suspend the payment of redemptions under certain circumstances. Some underlying investments may also be subject to lock-ups, redemption fees, etc.

**Note 5 – Property and equipment**

The summary of the property and equipment as of June 30, 2013 and June 30, 2012 is as follows:

	<u>2013</u>			<u>2012</u>
	<u>WMF</u>	<u>Total Subsidiaries</u>	<u>Consolidated</u>	<u>Consolidated</u>
Leasehold improvements	\$ 486,284	\$ -	\$ 486,284	\$ 486,284
Furniture, fixtures and equipment	<u>1,028,403</u>	<u>43,459</u>	<u>1,071,862</u>	<u>1,052,024</u>
Sub-total	1,514,687	43,459	1,558,146	1,538,308
Less: Accumulated depreciation and amortization	<u>852,831</u>	<u>29,957</u>	<u>882,788</u>	<u>761,925</u>
Total	<u>\$ 661,856</u>	<u>\$ 13,502</u>	<u>\$ 675,358</u>	<u>\$ 776,383</u>

**Note 6 – Lease agreements**

During June 2010, WMF entered into a ten-year agreement, with a commencement date in October 2010, for the rental of office space for its headquarters at the Empire State Building located at 350 Fifth Avenue. In connection with this agreement, WMF was granted a six-month rent abatement. Rent expense for the six-month abatement period will be recognized based on a pro-rata share of the total rent to be paid over the term of the lease. This amount is reflected as deferred rent on the consolidated statement of financial position and is being amortized at the rate of \$23,711 annually over the life of the lease as a reduction of rent expense. WMF is required to pay a base rent of \$497,920 for the first four and one half years, increasing to \$529,090 after four and one half years through the final year of the agreement. In connection with this lease, WMF has deposited \$265,477, as security with the landlord.

For the 2013 fiscal year, rent expense under this agreement totaled \$474,209.

# WORLD MONUMENTS FUND, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

June 30, 2013

### Note 6 – Lease agreements (continued)

The minimum annual payments required under the lease agreements for WMF are as follows:

<u>Fiscal year</u>	
2014	\$ 497,920
2015	497,920
2016	529,040
2017	529,040
2018	529,040
2019 and thereafter	<u>1,322,600</u>
Total	<u>\$ 3,905,560</u>

During July 2009, the European office entered into a 12 year agreement for the rental of office space for its headquarters at the Hotel de Talleyrand. WMF is required to pay a base rent of €69,329. The rent shall be paid in quarterly installments in advance and equal to the U.S. dollar equivalent at the exchange rate published in New York in the Wall Street Journal on the business day preceding the date of the payment. In connection with this lease, WMF has deposited €37,748 or \$47,299 as security with the landlord.

### Note 7 – Pension plans

WMF has a 403(b) plan, which covers all eligible employees. Eligible employees can contribute to the plan, not to exceed annual limits established by the Internal Revenue Service (“IRS”). In addition, WMF will make contributions up to 5% of an employee’s compensation within \$54,000 and up to 9% of compensation above \$54,000. Pension expense for the 2013 and 2012 fiscal years totaled \$173,255 and \$152,512, respectively.

In addition, WMF has a pension plan for its branch office located in France. For the 2013 and 2012 fiscal years, the cost associated with this plan totaled \$33,886 and \$35,046, respectively.

### Note 8 – Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes at June 30, 2013:

	<u>WMF</u>	<u>Subsidiaries</u>	<u>Consolidated</u>
Conservation Projects	\$ 22,843,967	\$ 1,703,138	\$ 24,547,105
Education and Public			
Outreach Projects	12,257,450	-	12,257,450
Endowment Funds	<u>698,586</u>	<u>-</u>	<u>698,586</u>
Total	<u>\$ 35,800,003</u>	<u>\$ 1,703,138</u>	<u>\$ 37,503,141</u>

**WORLD MONUMENTS FUND, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (continued)****June 30, 2013****Note 9 – Permanently restricted net assets**

Permanently restricted net assets of \$24,451,549 at June 30, 2013 are restricted to an endowment. WMF is permitted to use, in accordance with certain donor limitations, an amount not exceeding five percent of the fair value of the assets based on a rolling five-year average. The amount expended, which is generated from the endowment investments and reflected as unrestricted, temporarily, and permanently restricted revenue, is approved annually by the Board. For the year ended June 30, 2013, the Board approved appropriations of \$1,014,900, of which \$782,531 was appropriated from permanently restricted net assets.

**Note 10 – Tax status**

WMF is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, WMF has been determined by the Internal Revenue Service to be a publicly supported organization and not a private foundation under the meaning of Section 509(a) of the Code. As of June 30, 2013, no amounts have been recognized for uncertain tax positions. WMF's tax returns for the 2010 fiscal year and forward are subject to the usual review by the appropriate authorities.

## June 30, 2013

The following are the functional expenses for the year ended June 30, 2013:

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**WORLD MONUMENTS FUND, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (continued)****June 30, 2013****Note 12 – Endowments**

WMF reports its restricted net assets in accordance with current accounting standards. In addition, New York adopted a version of the Uniform Prudent Management of Institutional Funds Act (“NYPMIFA”) to govern how not-for-profit organizations administer and manage endowment assets.

WMF’s endowment consists of various individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board. As required by accounting principals generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation**

WMF follows the New York State Not-For-Profit Corporation Law (N-PCL) with respect to donor-restricted contributions. WMF preserves the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. WMF classifies as permanently restricted net assets at the original value of gifts donated to the permanent endowment, the original value of subsequent gifts, and explicit to donor stipulations changes in fair value, to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as unrestricted or temporarily restricted net assets until those amounts are appropriated for expenditure by WMF in a manner consistent with the standard of prudence prescribed by N-PCL.

WMF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the funds
- (2) The purposes of the organization and the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) If appropriate and circumstances warrant, alternatives to endowment expenditures
- (8) The investment policies of the organization.



**WORLD MONUMENTS FUND, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (continued)**

**June 30, 2013**

**Note 12 – Endowments (continued)**

At June 30, 2013, endowment net assets composed by type of fund are:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
WMF-Donor-restricted endowment	\$ -	\$ 698,586	\$24,451,549	\$25,150,135
General endowment	223,395	-	-	223,395
Board-Designated endowment	<u>2,789,008</u>	<u>-</u>	<u>-</u>	<u>2,789,008</u>
Total funds	<u>\$ 3,012,403</u>	<u>\$ 698,586</u>	<u>\$24,451,549</u>	<u>\$28,162,538</u>

As of June 30, 2013 \$698,586 of temporarily restricted net assets are the result of permanently restricted activities.

The temporary restricted net assets also include project related restricted net assets as stated in note 8 that are not endowed. These temporarily restricted net assets are maintained in cash, cash equivalents, and contributions receivable and are not invested.

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires WMF to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, absent explicit donor stipulations, deficiencies of this nature would be charged to unrestricted net assets. At June 30, 2013, there were no funds with deficiencies.

**Return Objectives and Risk Parameters**

WMF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

**WORLD MONUMENTS FUND, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (continued)****June 30, 2013****Note 12 – Endowments (continued)****Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, WMF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). WMF targets a diversified asset allocation that places an emphasis on diversified asset managed mutual funds and equities to enhance its long-term return.

**Spending Policy**

WMF has a policy of spending an amount not exceeding five percent of the fair value of the assets based on a rolling five-year average from its permanently restricted funds allowable under the donor guidelines. This is consistent with WMF's objectives to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional growth through investment return and new gifts.

# WORLD MONUMENTS FUND, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

June 30, 2013

### Note 12 – Endowments (continued)

At June 30, 2013, the activity in WMF's Board-designated, unrestricted, temporarily and permanently restricted endowment net assets is as follows:

	Unrestricted Board- Designated	Unrestricted Named Funds	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 2,466,760	\$ 123,846	\$ 340,500	\$ 21,874,052	\$ 24,805,158
Investment return					
Interest and dividends	123,871	43,425	147,106	976,487	1,290,889
Realized gain on sale of investments	11,954	4,947	16,756	110,201	143,858
Unrealized gain on investments	276,257	89,352	302,688	2,019,804	2,688,101
Miscellaneous (expense)	(1,664)	(556)	(1,884)	(12,502)	(16,606)
Total investment return	410,418	137,168	464,666	3,093,990	4,106,242
Contributions	-	-	-	266,038	266,038
Appropriation of endowment for expenditures	(88,170)	(37,619)	(106,580)	(782,531)	(1,014,900)
Increase in net assets	322,248	99,549	358,086	2,577,497	3,357,380
Net assets, end of year	\$ 2,789,008	\$ 223,395	\$ 698,586	\$ 24,451,549	\$ 28,162,538
Named fund net assets at June 30, 2013					
General Endowment Fund		\$ 3,713,123			
Jewish Heritage Program Fund		1,538,745			
The Sara Shallenberger Brown Fund		1,975,571			
The David Davies and Jack Weedon Fund		1,162,156			
The Paul Mellon Fund for Architectural Preservation in Great Britain		7,097,682			
The Paul Mellon Education Fund		12,675,261			
Total		28,162,538			
Pledges at net present value included in endowment net assets		\$ 266,924			