

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Federal Appropriated Funds Financial Statements

September 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

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Independent Auditors' Report

The Board of Trustees
Woodrow Wilson International Center for Scholars:

Report on the Audit of the Federal Appropriated Funds Financial Statements

Opinion

We have audited the 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, 2023 and 2022, and the related statements of activities, and cash flows for the years then ended, and the related notes to the Federal Appropriated Funds financial statements.

In our opinion, the accompanying Federal Appropriated Funds financial statements present fairly, in all material respects, the financial position of the Center as of September 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Federal Appropriated Funds Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

We draw attention to note 2 of the Federal Appropriated Funds 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.

Responsibilities of Management for the Federal Appropriated Funds Financial Statements

Management is responsible for the preparation and fair presentation of the Federal Appropriated Funds financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the Federal Appropriated Funds financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for one year after the date the Federal Appropriated Funds financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Federal Appropriated Funds Financial Statements

Our objectives are to obtain reasonable assurance about whether the Federal Appropriated Funds financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Federal Appropriated Funds financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Federal Appropriated Funds financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Federal Appropriated Funds financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Federal Appropriated Funds financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2024 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 solely 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 effectiveness of the Center's 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.

[(signed) KPMG LLP]

Washington, District of Columbia
February 28, 2024

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Federal Appropriated Funds Statements of Financial Position

September 30, 2023 and 2022

Assets	2023	2022
Fund balance with Treasury	\$ 9,806,571	10,275,725
Equipment and leasehold improvements, net (note 4)	2,185,090	1,565,470
Total assets	<u>\$ 11,991,661</u>	<u>11,841,195</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,500,396	1,292,568
Grants payable	2,158,555	2,226,789
Unexpended appropriations (note 9)	6,147,620	6,756,368
Total liabilities	9,806,571	10,275,725
Net assets – without donor restriction	2,185,090	1,565,470
Total liabilities and net assets	<u>\$ 11,991,661</u>	<u>11,841,195</u>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Appropriations revenue (note 9)	\$ 15,537,739	14,006,289
Program services (note 5):		
Fellows	2,775,600	3,231,356
Services to fellows	1,426,673	1,341,407
Conferences, outreach and special projects	<u>4,964,106</u>	<u>4,598,815</u>
Total program services	9,166,379	9,171,578
Supporting services (note 5):		
General and administrative	<u>5,751,740</u>	<u>5,148,729</u>
Total expenses	<u>14,918,119</u>	<u>14,320,307</u>
Change in net assets	619,620	(314,018)
Net assets – without donor restrictions, beginning of year	<u>1,565,470</u>	<u>1,879,488</u>
Net assets – without donor restrictions, end of year	<u>\$ 2,185,090</u>	<u>1,565,470</u>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 619,620	(314,018)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	622,847	571,003
Loss on disposal of assets	7,421	3,819
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	207,829	(599,953)
Grants payable	(68,234)	(23,644)
Unexpended appropriations	<u>(608,748)</u>	<u>796,880</u>
Net cash provided by operating activities	<u>780,735</u>	<u>434,087</u>
Cash flows from investing activities:		
Purchases of equipment and leasehold improvements	<u>(1,249,888)</u>	<u>(260,805)</u>
Net cash used in investing activities	<u>(1,249,888)</u>	<u>(260,805)</u>
Net increase in Fund balance with Treasury	(469,153)	173,282
Fund balance with Treasury, beginning of year	<u>10,275,724</u>	<u>10,102,442</u>
Fund balance with Treasury, ending of year	<u>\$ 9,806,571</u>	<u>10,275,724</u>

See accompanying notes to Federal Appropriated Funds financial statements.

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Notes to Federal Appropriated Funds Financial Statements

September 30, 2023 and 2022

(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 \$15,000,000 for fiscal year 2023 through the Consolidated Appropriations Act, 2023 (Public Law 117-328) which shall remain available until September 30, 2024. The Center received a federal appropriation of \$15,000,000 for fiscal year 2022 through the Consolidated Appropriations Act, 2022 (Public Law 117-103) which shall remain available until September 30, 2023. 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 net assets without donor restrictions as federal appropriated funds are available to support the overall mission of the Center.

(c) Revenue Recognition

Federal appropriations revenues are recognized as contributions to the extent condition of contributions have been met. The unexpended portion of the appropriation, for which contribution conditions have not been met, are reported as unexpended appropriations on the statement of financial position. Unused appropriations are refunded five years after the period of availability (see note 9).

(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.

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Notes to Federal Appropriated Funds Financial Statements

September 30, 2023 and 2022

(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) 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.

(g) Equipment and Leasehold Improvements

Furniture and computer equipment are 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:

Computer equipment	5 years
Furniture and fixtures	5 to 7 years

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.

(h) 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) Availability and Liquidity of Federal Appropriation Resources

The Center receives an annual federal appropriation to support salaries and other expenses necessary in carrying out the provisions of the Woodrow Wilson Memorial Act of 1968. Approximately one-third of the Center's annual activities are funded through the annual Federal appropriation. The remaining two-thirds of annual activities are funded from grants and gifts not reported within this federal appropriated funds financial statements. The Woodrow Wilson International Center for Scholars is an Internal Revenue Service designated 501(c)(3) not-for-profit organization. The annual federal appropriation remains available for obligating for two fiscal years and remains open to pay obligated balances for five years following the availability period. The Center has \$9,806,571 in cash balance with Treasury as of September 30, 2023 available for general expenditures, liabilities, and other obligations in the coming year.

In addition to the available appropriated fund balance with Treasury ending September 30, 2023 the Center anticipates the continuation of annual appropriations. The Continuing Appropriations and Ukraine Supplemental Appropriation Act, 2023, 117-180 signed into law September 30, 2023, provides additional appropriation funding for the Center's salaries and expenditures beginning October 1, 2023. The Continuing Appropriations and Ukraine Supplemental Appropriation Act provided \$3,741,000 above the cash balance with Treasury ending fiscal year 2023 available for obligation through December 30, 2022.

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Notes to Federal Appropriated Funds Financial Statements

September 30, 2023 and 2022

It is also important to note the General Services Administration granted the Center use of office space in the Ronald Reagan Building and International Trade Center for 30 years ending fiscal year 2028. The financial activity associated with the donated facilities will continue to be reflected in subsequent fiscal year 2023 Center consolidated financial statements.

(4) Equipment and Leasehold Improvements

As of September 30, 2023 and 2022, equipment and leasehold improvements, consist of the following:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 4,240,614	3,300,377
Leasehold improvements	<u>2,930,878</u>	<u>2,930,878</u>
	7,171,492	6,231,255
Less accumulated depreciation and amortization	<u>(4,986,402)</u>	<u>(4,665,785)</u>
	<u>\$ 2,185,090</u>	<u>1,565,470</u>

(5) Expenses

Expenses for the year ended September 30, 2023 were incurred for the following:

	<u>Employee compensation</u>	<u>Grants</u>	<u>Other expenses</u>	<u>Supplies & non-capital equipment</u>	<u>Depreciation, amortization, & gain/loss on disposals</u>	<u>Total</u>
Program services:						
Fellow s	\$ —	2,775,600	—	—	—	2,775,600
Services to fellow s	1,087,325	—	71,571	267,777	—	1,426,673
Conferences, outreach and special projects	<u>3,743,749</u>	<u>—</u>	<u>966,266</u>	<u>254,091</u>	<u>—</u>	<u>4,964,106</u>
Total program services	4,831,074	2,775,600	1,037,837	521,868	—	9,166,379
Supporting services:						
General and administrative	<u>3,604,008</u>	<u>—</u>	<u>1,284,223</u>	<u>233,241</u>	<u>630,268</u>	<u>5,751,740</u>
Total expenses	<u>\$ 8,435,082</u>	<u>2,775,600</u>	<u>2,322,060</u>	<u>755,109</u>	<u>630,268</u>	<u>14,918,119</u>

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Notes to Federal Appropriated Funds Financial Statements

September 30, 2023 and 2022

Expenses for the year ended September 30, 2022 were incurred for the following:

	Employee compensation	Grants	Other expenses	Supplies & non-capital equipment	Depreciation, amortization, & gain/loss on disposals	Total
Program services:						
Fellow s	\$ —	3,231,356	—	—	—	3,231,356
Services to fellow s	960,870	—	125,078	255,459	—	1,341,407
Conferences, outreach and special projects	3,285,952	—	1,218,799	94,064	—	4,598,815
Total program services	4,246,822	3,231,356	1,343,877	349,523	—	9,171,578
Supporting services:						
General and administrative	2,664,270	—	1,707,655	201,982	574,822	5,148,729
Total expenses	\$ 6,911,092	3,231,356	3,051,532	551,505	574,822	14,320,307

(6) Related Party Transactions

Under a contractual agreement, the Smithsonian Institution (the Smithsonian) provides fiscal and administrative services to the Center that primarily include Federal appropriated funds accounting, human resource, general counsel and security. 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 \$374,898 and \$382,848, for the years ended September 30, 2023 and 2022, respectively.

(7) 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, 2023 and 2022 was approximately \$1,004,000 and \$846,000 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 \$22,500 and \$20,500 (IRS limits) for 2023 and 2022, 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.

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Notes to Federal Appropriated Funds Financial Statements

September 30, 2023 and 2022

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 2023, 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 2023 and 2022 is \$7,500. 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 2023 may not exceed \$30,000 (\$22,500 in regular TSP contributions and \$7,500 in catch-up contributions). In tax year the combined total contributions in tax year 2022 may not exceed \$27,000 (\$20,500 in regular TSP contributions and \$6,500 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 \$674,000 and \$447,000 for the years ended September 30, 2023 and 2022, respectively.

(8) 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, 2023 and 2022. 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.

(9) 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, 2023, the Center returned \$71,009 to the U.S. Treasury, which represented the unused fiscal year 2017 appropriation balance, which was available for a two-year period from October 1, 2016 through September 30, 2018.

On September 30, 2022, the Center returned \$196,831 to the U.S. Treasury, which represented the unused fiscal year 2016 appropriation balance, which was available for a two-year period from October 1, 2015 through September 30, 2017.

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Notes to Federal Appropriated Funds Financial Statements

September 30, 2023 and 2022

Appropriations revenue is reconciled to the fiscal year 2023 and 2022 federal appropriations as follows:

	2023	2022
Appropriations revenue	\$ 15,537,739	14,006,289
Increase (decrease) in unexpended appropriations	(608,748)	796,880
Returned unused appropriations	71,009	196,831
Fiscal year federal appropriation received	<u>\$ 15,000,000</u>	<u>15,000,000</u>

Federal expenses is reconciled to appropriations revenue, as follows:

	2023	2022
Total expenses	\$ 14,918,119	14,320,307
Less:		
Depreciation and amortization	(622,847)	(571,003)
Less:		
Loss on disposals	(7,421)	(3,819)
Add:		
Equipment and leasehold improvements	1,249,888	260,804
Appropriations revenue	<u>\$ 15,537,739</u>	<u>14,006,289</u>

(10) Subsequent Events

The Center has evaluated subsequent events from October 1, 2023 through February 28, 2024, 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 the 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 Center's Federal Appropriated Funds statement of financial position as of September 30, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the Federal Appropriated Funds financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 that we consider to be a material weakness.

Report on 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 financial statements. 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*.

The Center's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Center's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the other auditing procedures applied in the audit of the Federal Appropriated Funds financial statements and, accordingly, we express no opinion on the response.

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.

[(signed) KPMG LLP]

Washington, District of Columbia
February 28, 2024

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Schedule of Findings and Questioned Costs

Year ended September 30, 2023

Finding 2023-001

Criteria

Woodrow Wilson International Center for Scholars (the Center) has the responsibility 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.

Condition

Management's internal control over financial reporting related to the recognition of expenses were not designed appropriately and did not operate effectively during the year ended September 30, 2023.

Cause

The internal controls in place at the Center were not appropriately designed to ensure the adequate review over expense recognition by Center management. Due to turnover of senior management in the Finance Management Office, there was a change in control operators, which impacted management's ability to execute with the appropriate level of review over expense recognition. Additionally, there was a lack of documentation of the control processes in place related to expense recognition.

Effect

During our audit, we identified misstatements to the Federal Appropriated Funds financial statements related to the fiscal year ended September 30, 2023, which the Center's internal controls over financial reporting did not detect or prevent.

Recommendation

We recommend that management implement enhanced controls and procedures to ensure proper expense recognition, including clear guidelines and precise review processes. Additionally, we recommend that the Center implement adequate training for control operators.

Views of Responsible Officials

Management agrees with the auditor's finding, and the following corrective measures will be implemented and enforced to mitigate errors in the future. We will implement a two-step process improvement for enhanced internal control, create standard operating procedures, and provide adequate training to our staff.

Step 1: The senior trust and federal accountants will work closely with the contracting office before contracts are established. To appropriately determine and recognize the various expenses related to these contracts. The senior accountants will establish appropriate guidelines with the program staff and ensure those are dictated on the contract/agreements. Additionally, the senior accountants will create separate lines on PO obligations for services received during the Period of Performance (POP).

Step 2: Secondary layer of review: The Accounts Payable staff will ensure that before funds are disbursed, POP and the recognition of expenses are accurately charged to each line of obligation.