

CLARE BOOTHE LUCE POLICY INSTITUTE

**AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2014 AND 2013



Clare Boothe Luce Policy Institute

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Independent Auditor's Report

To the Board of Directors of
Clare Boothe Luce Policy Institute
Herndon, Virginia

We have audited the accompanying financial statements of **Clare Boothe Luce Policy Institute** (a nonprofit organization), which comprise the Statements of Financial Position as of December 31, 2014 and 2013, and the related Statements of Activities and Changes in Net Assets and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

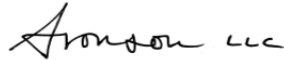
Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Clare Boothe Luce Policy Institute** as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 1 to the financial statements, certain errors resulting in understatement of amounts previously reported for accounts payable and expenses as of January 1, 2013 and December 31, 2013, were discovered by management of the organization during the current year. Accordingly, amounts reported for accounts payable and expenses have been restated in the 2013 financial statements now presented, and an adjustment has been made to unrestricted net assets as of January 1, 2013 and December 31, 2013, to correct the error. Our opinion is not modified with respect to that matter.



Rockville, Maryland
June 3, 2015

Clare Boothe Luce Policy Institute

Statements of Financial Position

<i>December 31,</i>	2014	Restated 2013
Assets		
Current assets		
Cash and cash equivalents	\$ 353,376	\$ 350,157
Investments	380,295	318,125
Current portion of receivables	133,017	125,000
Total current assets	866,688	793,282
Property and equipment, net	536,831	552,550
Receivables, net of current portion	882,630	611,071
Other assets	12,929	2,825
Beneficial interest in trusts	171,681	166,887
Investments held for long term purpose	300,000	250,000
Total other assets	1,367,240	1,030,783
Total assets	\$ 2,770,759	\$ 2,376,615
 Liabilities and Net Assets		
Current liabilities		
Current portion of note payable	\$ 13,780	\$ 12,945
Accounts payable and accrued expenses	254,297	221,180
Current portion of gift annuities payable	6,811	5,715
Total current liabilities	274,888	239,840
Gift annuities payable, net of current portion	34,816	42,547
Note payable, net of current portion	116,019	129,397
Total long-term liabilities	150,835	171,944
Total liabilities	425,723	411,784
Net assets		
Unrestricted	775,092	726,977
Temporarily restricted	275,714	275,183
Permanently restricted	1,294,230	962,671
Total net assets	2,345,036	1,964,831
Total liabilities and net assets	\$ 2,770,759	\$ 2,376,615

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Clare Boothe Luce Policy Institute

Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2014</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Contributions	\$ 1,037,365	\$ 121,966	\$ 331,559	\$ 1,490,890
Grants	78,000	-	-	78,000
Contributed investments	5,688	15,107	-	20,795
Honorarium contributions	23,700	-	-	23,700
Interest income	10,481	6,891	-	17,372
Net gain on investments	24,025	18,838	-	42,863
Other income	155	-	-	155
Net assets released from restrictions	172,875	(172,875)	-	-
Total support and revenue	1,352,289	(10,073)	331,559	1,673,775
Expenses				
Program services				
Public information	500,868	-	-	500,868
Special projects	537,599	-	-	537,599
Total program services	1,038,467	-	-	1,038,467
Supporting services				
Fundraising	98,475	-	-	98,475
Management and general	165,682	-	-	165,682
Total expenses	1,302,624	-	-	1,302,624
Changes in net assets from operations	49,665	(10,073)	331,559	371,151
Change in value of trusts	-	10,604	-	10,604
Change in value of annuities	(1,550)	-	-	(1,550)
Changes in net assets	48,115	531	331,559	380,205
Net assets, beginning of year, as restated	726,977	275,183	962,671	1,964,831
Net assets, end of year	\$ 775,092	\$ 275,714	\$ 1,294,230	\$ 2,345,036

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Clare Boothe Luce Policy Institute

Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2013</i>	(Restated)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Contributions	\$ 1,006,969	\$ 110,000	\$ 288,121	\$1,405,090
Grants	76,000	-	-	76,000
Gift annuities	8,332	-	-	8,332
Contributed investments	16,257	-	-	16,257
List rental income	6,504	-	-	6,504
Honorarium contributions	5,000	4,500	-	9,500
Interest income	5,989	-	-	5,989
Net gain on investments	46,233	44,303	-	90,536
Other income	15,759	-	-	15,759
Net assets released from restrictions	176,478	(176,478)	-	-
Total support and revenue	1,363,521	(17,675)	288,121	1,633,967
Expenses				
Program services				
Public information	537,017	-	-	537,017
Special projects	564,135	-	-	564,135
Total program services	1,101,152	-	-	1,101,152
Supporting services				
Fundraising	175,242	-	-	175,242
Management and general	138,160	-	-	138,160
Total expenses	1,414,554	-	-	1,414,554
Changes in net assets from operations	(51,033)	(17,675)	288,121	219,413
Change in value of trusts	-	11,607	-	11,607
Change in value of annuities	(1,552)	-	-	(1,552)
Changes in net assets	(52,585)	(6,068)	288,121	229,468
Net assets, beginning of the year, as originally stated	960,376	281,251	674,550	1,916,177
Prior period adjustment	(180,814)	-	-	(180,814)
Net assets, beginning of year, as restated	779,562	281,251	674,550	1,735,363
Net assets, end of year, as restated	\$ 726,977	\$ 275,183	\$ 962,671	\$1,964,831

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Clare Boothe Luce Policy Institute

Statements of Cash Flows

<i>Years Ended December 31,</i>	2014	Restated 2013
Cash flows from operating activities		
Changes in net assets	\$ 380,205	\$ 229,468
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	26,632	25,962
Contributed investments	-	(16,257)
Unrealized and realized gains on investments	(42,863)	(90,536)
Change in value of annuities	1,550	1,552
Change in present value discount on receivables	168,441	202,679
Change in beneficial interest in trusts	(4,794)	(6,407)
(Increase) decrease in:		
Receivables	(498,017)	(465,000)
Other assets	(10,104)	4,575
(Decrease) increase in:		
Accounts payable and accrued expenses	33,117	29,010
Net cash provided (used) by operating activities	54,167	(84,954)
Cash flows from investing activities		
Sale of investments	46,709	41,829
Purchase of investments	(116,016)	(91,987)
Purchase of property, building and equipment	(10,913)	(1,250)
Net cash used by investing activities	(80,220)	(51,408)
Cash flows from financing activities		
Payments on notes payable	(12,543)	(12,737)
Receipt of permanently restricted funds	50,000	50,000
Proceeds from gift annuities received	-	16,668
Payments on gift annuities	(8,185)	(7,266)
Net cash provided by financing activities	29,272	46,665
Net change in cash and cash equivalents	3,219	(89,697)
Cash and cash equivalents, beginning of year	350,157	439,854
Cash and cash equivalents, end of year	\$ 353,376	\$ 350,157
Supplemental disclosures		
Interest paid during the year	\$ 7,263	\$ 13,812

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Clare Boothe Luce Policy Institute

Notes to Financial Statements

1. Organization and summary of significant accounting policies

Organization: Clare Boothe Luce Policy Institute (the “Institute”) is a not-for-profit organization established in May 1993. The Institute prepares and promotes conservative women leaders. The Institute is located in Herndon, Virginia.

The Institute’s two main programs are public information and special projects. The public information program focuses on the Institute’s media and communication activities such as the Institute’s web site, radio and TV appearances, policy papers, articles, publication of *Great American Conservative Women Calendar*, media directories, periodicals and mailings. The special projects program focuses on outreach and research activities including the college campus speaker program, seminars, conferences, mentoring lunches, Conservative Women’s Network lunches and the Institute’s internship program.

Basis of accounting: The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations.

Financial statement presentation: Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions and reported as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that will be met either by actions of the Institute and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Institute. The Institute may use all or part of the income earned on these assets for general or specific purposes. At December 31, 2014 and 2013, the Institute had \$1,294,230 and \$962,671, respectively, in permanently restricted net assets. The investment income earned on \$200,000 of the permanently restricted net assets is restricted for the internship program.

Clare Boothe Luce Policy Institute

Notes to Financial Statements

During the year ended December 31, 2014 and 2013, bequests of \$500,000 and \$490,000, respectively, were pledged which will be distributed over 10 years after the distributable event. Once received, the investment income earned on these bequests will be restricted to support the lecture series. A 2012 donation of \$500,000 was a pledge to be paid over 5 years. As of December 31, 2014, \$100,000 has been collected on this pledge. Once received, the investment income earned on this will be unrestricted.

Cash and cash equivalents: For purposes of financial statement presentation, the Institute considers all highly liquid debt instruments purchased with an original maturity of ninety days or less to be cash equivalents. The Institute maintains cash balances which may exceed federally insured limits. Management does not believe that this results in any significant credit risk.

Investments: Investments consist of equity securities, mutual funds and money market funds. The investments are stated at fair value as determined by quoted market prices on the last business day of the year.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Fair value: The Institute values investments and beneficial interests in trusts at fair value in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest of any input that is significant to the fair value measurement. There have been no changes to the fair market methodologies used at December 31, 2014 and 2013. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Clare Boothe Luce Policy Institute

Notes to Financial Statements

Receivables: Receivables expected to be collected within one year are recorded at net realizable value. Receivables expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount rate is computed using a risk free rate as of the date of the pledge plus an added rate of risk adjustment of 0.5%. The rates used as of December 31, 2014 and 2013 range from 1.2% to 3.92%. Amortization of the discount is included in contribution revenue.

All accounts or portions thereof that are deemed to be uncollectible or require excessive collection cost are written off to the allowance for doubtful accounts. No allowance for doubtful accounts has been recorded as management believes all promises are fully collectible as of December 31, 2014 and 2013.

Property and equipment: Property and equipment are recorded at the original cost and are depreciated on a straight-line basis over estimated lives of three to forty years. Property and equipment additions and improvements acquired at a cost greater than \$500 are capitalized. Costs incurred for maintenance and repairs are charged to expense as incurred.

Beneficial interest in trusts:

Remainder trust: The Institute is named as the beneficiary in a remainder trust held by a third party. The trust, which is invested in cash equivalents and mutual funds, is measured at the present value of the future distributions expected to be received over the term of the agreement using a payout rate of 5% and IRS actuarial tables.

Term trust: The Institute is named as the beneficiary in a term trust held by a third party. Funds from the term trust expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on the trust are computed using a risk free interest rate of 1.49% plus an added rate of risk adjustment of 0.5%. Amortization of the discount is presented as change in value of the trusts on the accompanying Statements of Activities and Changes in Net Assets.

Clare Boothe Luce Policy Institute

Notes to Financial Statements

Gift annuities: Gift annuities are contracts between the Institute and a donor in which the Institute agrees to pay the donor (or other person named by the donor) a lifetime annuity in return for a gift of cash or marketable securities. The assets received by the Institute are recorded at fair market value at the date of the donation. A liability is recorded for the amount due to an income beneficiary of a gift annuity based on the present value of the estimated future payments to be distributed during the income beneficiary's expected life. The discount rates used range from 1% to 6% depending on the applicable discount rate at the time of the gift. Each year, the liability is re-measured and changes in the liability due to factors other than cash payments, such as changing life expectancies, are recorded as an increase or decrease to revenue and support.

Revenue recognition:

Contributions and grants: The Institute recognizes all contributions and grants as income in the period received or pledged. Contributions and grants are reported as unrestricted, temporarily restricted, or permanently restricted depending on the absence or existence of donor stipulations that limit the use of the contributions.

Contributed investments: Contributions of marketable securities are recorded at their fair market value at the date of donation.

List rental income: The Institute recognizes list rental income as income when the list is delivered.

Allocation of functional expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising costs: The Institute expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2014 and 2013, was \$1,922 and \$4,454, respectively.

Costs of joint activities: The Institute accounts for costs of joint activities which are part fundraising and have elements of one or more other functions, such as program or management and general according to certain criteria of purpose, audience and content in order to allocate any portion of the costs of joint activities to a functional area other than fundraising.

Income taxes: The Institute is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code; and therefore, has made no provision for federal income taxes. The Institute has no unrelated business income.

Clare Boothe Luce Policy Institute

Notes to Financial Statements

Uncertainty in income taxes: The Institute evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of December 31, 2014 and 2013, there were no accruals for uncertain tax positions. If applicable, the Institute records interest and penalties as a component of income tax expense. Tax years from 2011 through the current year remain open for examination by tax authorities.

Prior period restatement: The Institute determined that adjustments were needed to 2013 balances to properly report the omitted liabilities related to a third party publishing provider and be fully in compliance with generally accepted accounting principles. To correct the accounting error, a restatement of the prior period activities and unrestricted net assets has been made.

The table below reflects these changes as of and for the year ended December 31, 2013.

	2013 Prior to Adjustment	Adjustment	2013 After Adjustment
Statement of Financial Position			
Accounts payable and accrued expenses	\$ 11,903	\$ 209,277	\$ 221,180
Unrestricted net assets	936,254	(209,277)	726,977
Statement of Activities			
Public information	511,022	25,995	537,017
Fundraising	172,774	2,468	175,242
Changes in Net Assets	257,931	(28,463)	229,468
Beginning unrestricted net assets	960,376	(180,814)	779,562
Ending unrestricted net assets	936,254	(209,277)	726,977

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Clare Boothe Luce Policy Institute

Notes to Financial Statements

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through June 3, 2015, which was the date the financial statements were available to be issued.

New accounting standard adopted during 2014: In October 2012, the Financial Accounting Standards Board issued Accounting Standards Update 2012-05 (“ASU 2012-05”) Statement of Cash Flows (Topic 230): *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. ASU 2012-05 requires a not-for-profit entity to classify cash receipts from the sale of donated financial assets that upon receipt were converted nearly immediately into cash consistently with cash donations in the Statement of Cash Flows. Accordingly, cash receipts from the sale of donated securities with no donor-imposed restrictions should be included in the operating section of the Statement of Cash Flows, while cash receipts from the sale of donated securities with donor-imposed long-term restrictions should be classified as financing activities. Otherwise, receipts from the sale of donated financial assets should be classified as cash flows from investing activities. This ASU is effective prospectively for fiscal years beginning after June 15, 2013. Retrospective application and early application are permitted, but not required.

The Institute has elected to adopt ASU 2012-05 prospectively for the year ended December 31, 2014.

2. Investments

Investments at December 31, 2014 and 2013, consist of the following:

	<u>2014</u>	<u>2013</u>
Index mutual funds	\$ 258,504	\$ 219,962
Equity securities	201,829	133,078
Fixed income mutual funds	137,197	130,114
Large cap equity mutual funds	63,470	66,388
International equity mutual funds	14,561	16,525
Money market funds	4,734	2,058
Total	\$ 680,295	\$ 568,125

Investments as listed on the Statements of Financial Position at December 31, 2014 and 2013 are comprised of:

	<u>2014</u>	<u>2013</u>
Investments, current	\$ 380,295	\$ 318,125
Investments held for long term purposes	300,000	250,000
Total investments	\$ 680,295	\$ 568,125

Clare Boothe Luce Policy Institute

Notes to Financial Statements

Investment income for the years ended December 31, 2014 and 2013 consisted of the following:

	2014	2013
Interest and dividends	\$ 17,372	\$ 5,989
Realized and unrealized gain	42,863	90,536
Total investment income	\$ 60,235	\$ 96,525

3. Fair value

The fair value of investments and beneficial trusts is as follows:

Fair Value Measurements at Reporting Date Using:

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2014	Total			
Investments:				
Index mutual funds	\$ 258,504	\$ 258,504	\$ -	\$ -
Equity securities	201,829	201,829	-	-
Fixed income mutual funds	137,197	137,197	-	-
Large cap equity mutual funds	63,470	63,470	-	-
International equity mutual funds	14,561	14,561	-	-
Money market funds	4,734	4,734	-	-
Total investments	\$ 680,295	\$ 680,295	\$ -	\$ -
Beneficial interest in trusts	\$ 171,681	\$ -	\$ 171,681	\$ -

Clare Boothe Luce Policy Institute

Notes to Financial Statements

December 31, 2013	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Index mutual funds	\$ 219,962	\$ 219,962	\$ -	\$ -
Equity securities	133,078	133,078	-	-
Fixed income mutual funds	130,114	130,114	-	-
Large cap equity mutual funds	66,388	66,388	-	-
International equity mutual funds	16,525	16,525	-	-
Money market funds	2,058	2,058	-	-
Total investments	\$ 568,125	\$ 568,125	\$ -	\$ -
Beneficial interest in trusts	\$ 166,887	\$ -	\$ 166,887	\$ -

The Level 2 beneficial interest in trusts, which is invested in money market funds and mutual funds, is measured at the present value using the risk adjusted discount rate of the future distributions expected to be received over the term of the agreements.

4. Receivables

Receivables at December 31, 2014 and 2013, consist of the following:

	2014	2013
Contributions receivable	\$ 1,413,017	\$ 965,000
Less: Discount on contributions receivable	(397,370)	(228,929)
Total receivables	\$ 1,015,647	\$ 736,071

Clare Boothe Luce Policy Institute

Notes to Financial Statements

Contributions receivable as of December 31, 2014, are due as follows:

Due in less than one year	\$ 133,017
Due in one to five years	300,000
Due in more than five years	980,000
	1,413,017
Less: Discount on contributions receivable	(397,370)
	\$ 1,015,647

The discount on contribution receivables was calculated using discount rates of 1.2% to 3.92%.

Three receivables totaled 98% of total receivables at December 31, 2014. Two receivables totaled 98% of total receivables at December 31, 2013.

5. Beneficial interest

The amounts representing beneficial interest in trusts at December 31, are as follows:

	2014	2013
Remainder trust	\$ 130,364	\$ 120,439
Term trust	41,317	46,448
	\$ 171,681	\$ 166,887

6. Property and equipment

The following is a summary of property and equipment, and accumulated depreciation and amortization as of December 31,:

	2014	2013
Land	\$ 87,085	\$ 87,085
Buildings and improvements	717,003	710,536
Equipment	69,434	100,549
Furniture and fixtures	117,888	145,192
Software	14,096	17,124
Total	1,005,506	1,060,486
Less: Accumulated depreciation and amortization	(468,675)	(507,936)
	\$ 536,831	\$ 552,550

Depreciation and amortization expense for the years ended December 31, 2014 and 2013 was \$26,632 and \$25,962, respectively.

Clare Boothe Luce Policy Institute

Notes to Financial Statements

7. Note payable The outstanding note payable is as follows at December 31,:

	2014	2013
Note payable in original amount of \$214,304. The terms are monthly installments of principal and interest of \$1,849 for 180 months at an interest rate of 6.25%. The note matures on March 6, 2023. The note is secured by the Institute's property.	\$ 129,799	\$ 142,342
Less: Current portion	(13,780)	(12,945)
Total	\$ 116,019	\$ 129,397

The following are maturities of the note payable for the next five years:

Year ending December 31,:	Amount
2015	\$ 13,780
2016	14,664
2017	15,607
2018	16,610
2019	17,679
Thereafter	51,459
Total	\$ 129,799

8. Temporarily restricted net assets As of December 31, temporarily restricted net assets were as follows:

	2014	2013
Conferences	\$ 11,209	\$ 8,636
Dr. Keith C. Wold lecture	19,000	13,811
Field named lecture series	-	2,730
Honorariums	800	800
Internships	6,631	28,894
Luncheons	2,817	21,156
Publication	-	44
Technology	40,560	8,027
Time restricted	194,697	191,085
Total	\$ 275,714	\$ 275,183

Clare Boothe Luce Policy Institute

Notes to Financial Statements

Net assets are released from donor restrictions when expenses are incurred that satisfy the donor restricted purpose or through the occurrence of donor specified events. The net assets released from restrictions are as follows for the years ended December 31,:

	2014	2013
20 th Anniversary	\$ -	\$ 40,000
Conferences	12,876	-
Dr. Keith C. Wold lecture	24,811	6,189
Field named lecture series	2,730	7,270
Honorariums	-	4,500
Internships	64,100	38,397
Luncheons	20,838	7,344
Malcolm Smith Seminar	-	40,000
Publication	45	1,700
Technology	17,466	878
Time restricted	30,009	30,200
Total	\$ 172,875	\$ 176,478

9. Endowment funds

The Institute's endowment consists of three donor-restricted funds. One is to provide funding for an annual internship. The second one is to provide funding for general operations. The final one is to provide funding for the Institute's lecture series. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The internship endowment has been fully funded. The general endowment was created with a pledge in 2012 that will be paid over several years starting in 2013. The lecture series endowment will be paid over several years starting on the first anniversary of the donor's death. Investment income will be allocated to the funds based on amounts actually received and invested.

Interpretation of Relevant Law

Management of the Institute has interpreted the Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of 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. As a result of this interpretation, the Institute classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Clare Boothe Luce Policy Institute

Notes to Financial Statements

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Institute and the donor-restricted endowment fund
- (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 Institute
- (7) The investment policies of the Institute.

Changes in endowment net assets for the year ended December 31, 2014:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 962,671	\$ 962,671
Investment income			
Net gain (realized and unrealized)	25,729	-	25,729
Total investment return	25,729	-	25,729
Contributions - pledge	-	331,559	331,559
Appropriation of endowment assets for expenditure	(25,729)	-	(25,729)
Endowment net assets, end of year	\$ -	\$ 1,294,230	\$ 1,294,230

Clare Boothe Luce Policy Institute

Notes to Financial Statements

Changes in endowment net assets for the year ended December 31, 2013:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 674,550	\$ 674,550
Investment income			
Net gain (realized and unrealized)	44,303	-	44,303
Total investment return	44,303	-	44,303
Contributions - pledge	-	288,121	288,121
Appropriation of endowment assets for expenditure	(44,303)	-	(44,303)
Endowment net assets, end of year	\$ -	\$ 962,671	\$ 962,671

Description of amounts classified as permanently restricted net assets (endowment only) at December 31:

	2014	2013
Permanently restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 1,294,230	\$ 962,671

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 or UPMIFA requires the Institute to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2014 and 2013.

Return Objectives and Risk Parameters

The Institute 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 preserve the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold for a donor-specified period. Under this policy, as approved by management, the endowment assets are invested in a manner that is intended to protect the principal investment while at the same time attaining a competitive rate of return.

Clare Boothe Luce Policy Institute

Notes to Financial Statements

The Institute expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Institute relies on a return strategy in which investment returns are achieved through current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Institute has a policy of appropriating for distribution each year the income earned on the endowment funds. In establishing this policy, the Institute considered the long-term expected return on its endowment. Accordingly, over the long term, the Institute expects the current spending policy to remain consistent. This is consistent with the Institute's objective to preserve the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

- 10. Concentration** In 2014, one donor gave 29% of total contributions. In 2013, one donor gave 36% of total contributions.
- 11. Pension plan** The Institute offers a tax-sheltered Section 403(b) annuity plan to its employees, allowing them to defer a portion of their compensation on a pre-tax basis. All full-time employees are eligible for participation six months after employment begins. No contributions are made by the Institute to the plan.
- 12. Allocation of joint costs** During 2014 and 2013, the Institute incurred joint costs of \$259,540 and \$426,548, respectively, for informational materials primarily related to direct mail, house file mailings and newsletters that included fundraising appeals. Pursuant to the joint cost rules (see Note 1), these costs were allocated to the functional areas as follows for the years ended December 31:

	2014	2013 (restated)
Program	\$ 232,299	\$ 301,029
Fundraising	27,241	125,519
Total	\$ 259,540	\$ 426,548

Clare Boothe Luce Policy Institute

Notes to Financial Statements

- 13. Commitments** The Institute has entered into agreements to lease office equipment. These leases are treated as operating leases in the financial statements. The future minimum lease payments required under these leases as of December 31, 2014, are as follows:

Year ending December 31,:	Amount
2015	\$ 2,628
2016	2,628
2017	1,314
Total	\$ 6,570

Rent expense for the years ended December 31, 2014 and 2013 was \$4,691 and \$3,047, respectively.

- 14. Related party transactions** The Institute entered into a consulting agreement with one board member for survey and research in 2014. During the year ended December 31, 2014, \$9,400 was paid to the board member. There was similar service provided as of December 31, 2013.



Independent Auditor's Report on Supplementary Information

To the Board of Directors of
Clare Boothe Luce Policy Institute
Herndon, Virginia

We have audited the financial statements of **Clare Boothe Luce Policy Institute** as of and for the years ended December 31, 2014 and 2013, and our report thereon dated June 3, 2015, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Functional Expenses on pages 23 and 24 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rockville, Maryland
June 3, 2015

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Clare Boothe Luce Policy Institute

Schedule of Functional Expenses

Year Ended December 31, 2014

	Program Services			Supporting Services		Total Supporting Services	Total Expenses
	Public Information	Special Projects	Total Program Services	Fundraising	Management and General		
Accounting and legal	\$ -	\$ -	\$ -	\$ -	\$ 43,885	\$ 43,885	\$ 43,885
Advertising and marketing	1,922	-	1,922	-	-	-	1,922
Bank charges	-	437	437	-	4,775	4,775	5,212
Board meetings	-	-	-	-	2,298	2,298	2,298
Calendar	-	85,442	85,442	3,329	-	3,329	88,771
Conferences	7,543	94,545	102,088	-	-	-	102,088
Consultants	1,280	447	1,727	433	2,887	3,320	5,047
Depreciation and amortization	6,658	6,658	13,316	6,658	6,658	13,316	26,632
Direct mail	88,754	-	88,754	16,280	-	16,280	105,034
Equipment	5,619	1,722	7,341	1,670	2,923	4,593	11,934
Fees	-	-	-	-	276	276	276
Films, books and literature	80	6	86	46	-	46	132
Honorariums	-	33,750	33,750	-	-	-	33,750
House file mailings	44,960	-	44,960	6,718	-	6,718	51,678
Insurance	3,308	3,308	6,616	3,308	3,308	6,616	13,232
Interest	2,155	2,155	4,310	2,155	798	2,953	7,263
Internships	2,575	17,295	19,870	-	-	-	19,870
Meals & Entertainment	836	-	836	-	-	-	836
Newsletters	13,143	-	13,143	914	-	914	14,057
Payroll	246,583	240,651	487,234	38,009	75,177	113,186	600,420
Payroll taxes	15,366	16,940	32,306	2,326	5,460	7,786	40,092
Personal property tax	582	582	1,164	582	582	1,164	2,328
Photography	174	4,480	4,654	-	-	-	4,654
Postage, shipping, and delivery	6,812	91	6,903	4,683	1,301	5,984	12,887
Printing	5,184	175	5,359	-	481	481	5,840
Public relations	823	-	823	272	328	600	1,423
Real estate tax	3,024	3,024	6,048	3,024	3,023	6,047	12,095
Rent and occupancy	5,077	5,754	10,831	4,203	4,720	8,923	19,754
Software	-	-	-	-	60	60	60
Supplies and miscellaneous	3,260	902	4,162	197	6,129	6,326	10,488
Survey and research	-	9,400	9,400	-	-	-	9,400
Technology	10,265	821	11,086	2,181	466	2,647	13,733
Telecommunications	4,471	-	4,471	-	147	147	4,618
Travel	20,414	9,014	29,428	1,487	-	1,487	30,915
Total	\$ 500,868	\$ 537,599	\$ 1,038,467	\$ 98,475	\$ 165,682	\$ 264,157	\$ 1,302,624

Refer to Independent Auditor's Report on Supplementary Information.

Clare Boothe Luce Policy Institute

Schedule of Functional Expenses

Year Ended December 31, 2013

	Program Services (restated)			Supporting Services (restated)		Total Supporting Services	Total Expenses (restated)
	Public Information	Special Projects	Total Program Services	Fundraising	Management and General		
Accounting and legal	\$ -	\$ -	\$ -	\$ -	\$ 34,290	\$ 34,290	\$ 34,290
Advertising and marketing	1,826	2,628	4,454	-	-	-	4,454
Bank charges	20	-	20	350	4,502	4,852	4,872
Board meetings	-	-	-	-	699	699	699
Calendar	-	80,766	80,766	3,365	-	3,365	84,131
Conferences	60	134,873	134,933	-	99	99	135,032
Consultants	3,243	281	3,524	899	1,284	2,183	5,707
Depreciation and amortization	10,343	10,657	21,000	1,610	3,352	4,962	25,962
Direct mail	146,683	-	146,683	86,162	-	86,162	232,845
Equipment	4,080	1,212	5,292	834	942	1,776	7,068
Fees	-	-	-	-	5,357	5,357	5,357
Films, books and literature	1,169	324	1,493	-	-	-	1,493
Honorariums	-	12,000	12,000	-	-	-	12,000
House file mailings	57,804	-	57,804	35,159	-	35,159	92,963
Insurance	5,503	5,670	11,173	856	1,783	2,639	13,812
Interest	3,765	3,879	7,644	586	1,220	1,806	9,450
Internships	-	17,064	17,064	-	-	-	17,064
Newsletters	15,776	-	15,776	833	-	833	16,609
Payroll	222,580	229,340	451,920	34,638	72,126	106,764	558,684
Payroll taxes	14,562	15,005	29,567	2,266	4,719	6,985	36,552
Personal property tax	1,020	1,051	2,071	159	330	489	2,560
Photography	904	2,732	3,636	-	-	-	3,636
Postage, shipping, and delivery	8,999	463	9,462	1,069	537	1,606	11,068
Printing	6,614	2,756	9,370	2,519	366	2,885	12,255
Public relations	102	9	111	-	273	273	384
Real estate tax	4,795	4,940	9,735	746	1,554	2,300	12,035
Rent and occupancy	10,297	10,610	20,907	1,602	3,337	4,939	25,846
Software	208	215	423	32	68	100	523
Supplies and miscellaneous	3,106	1,805	4,911	-	131	131	5,042
Technology	6,647	695	7,342	1,556	627	2,183	9,525
Telecommunications	4,829	110	4,939	-	-	-	4,939
Travel	2,082	25,050	27,132	1	564	565	27,697
Total	\$ 537,017	\$ 564,135	\$ 1,101,152	\$ 175,242	\$ 138,160	\$ 313,402	\$ 1,414,554

Refer to Independent Auditor's Report on Supplementary Information.