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May 4, 2011
To the Audit Committee
Clare Boothe Luce Policy Institute

We have audited the financial statements of **Clare Boothe Luce Policy Institute** for the year ended December 31, 2011 and have issued our report thereon dated May 4, 2011. Statement on Auditing Standards No. 114 requires the auditor communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. This report is intended solely for the use of the Audit Committee, the Board of Directors, and management. These required communications as they relate to the December 31, 2010 audit are summarized below.

Area

Auditor's Responsibility Under U.S. Generally Accepted Auditing Standards

Planned Scope and Timing of the Audit

Comments

As stated in our engagement letter dated March 2, 2011, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered **Clare Boothe Luce Policy Institute's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

We performed the audit according to the planned scope and timing previously communicated in our PBC letter emailed January 22, 2011.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by **Clare Boothe Luce Policy Institute** are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There was one adjustment proposed by us that was not posted by Management to remove stale checks from the outstanding check list and add them back to cash and accounts payable.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 4, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our

professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were as follows:

Area	Accounting Policy	Estimation Process	Comments
Fair Value of Investments	The Organization values its investments at fair value in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.	Level 1 values are based on observable inputs such as quoted prices in active markets for identical assets. Level 2 values are based on inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.	We evaluated the key factors and assumptions used to develop the fair market valuation.
Allowance for Doubtful Pledges	The Organization records an allowance for doubtful pledges for any pledge whose collectability is uncertain.	Management reviews its outstanding pledges and historical experience and adjusts the allowance accordingly.	We evaluated the history of bad debt write offs in determining the allowance is reasonable in relation to the financial statements taken as a whole.

**Discount Factor
Applied to Promises
to Give**

The Organization's pledges are generally receivable between one and five years and are discounted at rates of approximately 1.6 to 4.5% per annum depending on when the pledge was given.

Management determines its risk adjusted rate by reviewing borrowing interest rates combined with U.S. Treasury rates at the time of pledge.

We evaluated the key factors and assumptions used to develop the risk adjusted discount rate in determining that it is reasonable in relation to the financial statements taken as a whole.

**Functional Expense
Allocation**

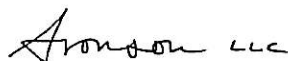
Expenses are presented based upon the functional category in which it was incurred and indirect allocations.

Expenses are coded as incurred. Indirect allocations are calculated based upon the amount of employee time spent in each program and on the proportion of program area benefiting from the expenditure.

We evaluated the key factors and assumptions used to develop the functional allocation of expenses in determining that they are reasonable in relation to the financial statements taken as a whole.

This information is intended solely for the use of the Board of Directors and its subcommittees and management of **Clare Boothe Luce Policy Institute** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



ARONSON LLC

Clare Boothe Luce Policy Institute

Management Letter

December 31, 2010

Clare Boothe Luce Policy Institute

Management Letter

TABLE OF CONTENTS

I.	Introductory Letter.....	1
II.	Prior Year Significant Deficiency.....	2
III.	Prior Year Other Comment.....	2



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May 4, 2011

To Management and the Audit Committee
Clare Boothe Luce Policy Institute

In planning and performing our audit of the financial statements of **Clare Boothe Luce Policy Institute** (the "Organization") as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

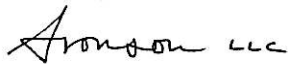
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

The attached prior year comments were reported last year. One was considered to be a significant deficiency. 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. The current status of the comments is included.

This communication is intended solely for the information and use of management, the audit committee, the board of directors, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


ARONSON LLC

II. PRIOR YEAR SIGNIFICANT DEFICIENCY

1. AUDIT ADJUSTMENT

Observation and recommendation

Aronson observed that the present value discount on pledges was not adjusted for payments received on the pledges. An adjustment was required. Aronson recommended that a pledge rollforward be prepared prior to the start of the audit showing prior year pledge balance, current year payments, ending pledge balance and future payment schedule with present value calculation and any necessary adjustments be made prior to the start of the audit.

Status

Recommendation appears to have been implemented. No similar situation was noted in the current year.

III. PRIOR YEAR OTHER COMMENT

1. UNSIGNED CHECK

Observation and recommendation

Aronson noted that a check was not signed, but still sent out and cashed. This is a deviation from the Institute's internal controls. Aronson recommended that all checks be reviewed for proper, authorized signature prior to being disbursed.

Status

Recommendation appears to have been implemented. No similar situation was noted in the current year.

CLARE BOOTHE LUCE POLICY INSTITUTE
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2010 AND 2009



CLARE BOOTHE LUCE
POLICY INSTITUTE

Preparing and Promoting Conservative Women Leaders

Clare Boothe Luce Policy Institute

Table of Contents

	Page
Independent Auditor's Report	1
Audited Financial Statements	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 15
Supplementary Information	
Independent Auditor's Report on Supplementary Information	16
Schedules of Functional Expenses	17 - 18



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Independent Auditor's Report

Board of Directors
Clare Boothe Luce Policy Institute
Herndon, Virginia

We have audited the accompanying Statements of Financial Position of **Clare Boothe Luce Policy Institute** (the "Institute") as of December 31, 2010 and 2009, and the related Statements of Activities and Changes in Net Assets and Cash Flows for the years then ended. These financial statements are the responsibility of the Institute's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Clare Boothe Luce Policy Institute's** internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, and the change in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Aronson LLC

Rockville, Maryland
May 4, 2011

Clare Boothe Luce Policy Institute

Statements of Financial Position

<i>December 31,</i>	2010	2009
Assets		
Current assets		
Cash and cash equivalents	\$ 284,841	\$ 330,021
Investments	101,588	152,830
Current portion of receivables	57,000	52,000
Total current assets	443,429	534,851
Receivables, net of current portion	78,760	43,324
Property, building and equipment, net	623,640	659,048
Other assets	742	742
Beneficial interest in remainder trust	94,983	-
Investments held for long term purpose	160,000	120,000
Total assets	\$ 1,401,554	\$ 1,357,965
Liabilities and Net Assets		
Current liabilities		
Current portion of notes payable	\$ 10,737	\$ 10,088
Accounts payable and accrued expenses	10,598	16,874
Current portion of gift annuities payable	4,307	12,489
Total current liabilities	25,642	39,451
Gift annuities payable, net of current portion	37,057	45,321
Notes payable, net of current portion	176,993	187,592
Total liabilities	239,692	272,364
Net assets		
Unrestricted	726,589	808,020
Temporarily restricted	235,947	82,257
Permanently restricted	199,326	195,324
Total net assets	1,161,862	1,085,601
Total liabilities and net assets	\$ 1,401,554	\$ 1,357,965

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

Clare Boothe Luce Policy Institute

Statements of Activities and Changes in Net Assets

Years Ended December 31,	2010			2009		
	Temporarily Restricted		Total	Temporarily Restricted		Total
	Unrestricted	Restricted		Unrestricted	Restricted	
Support and revenue						
Contributions	\$ 1,194,594	\$ 218,717	\$ 1,417,313	\$ 2,012,659	\$ 8,205	\$ 2,032,609
Grants	114,500	5,000	119,500	52,000	45,000	97,000
Gift annuities	19,423	-	19,423	-	-	-
Contributed investments	30,095	-	30,095	27,693	-	27,693
List rental income	52,512	-	52,512	22,499	-	22,499
Honorarium contributions	-	49,495	49,495	-	15,050	15,050
Interest income	2,358	2,913	5,271	2,414	912	3,326
Net gain on investments	17,496	-	17,496	22,657	-	22,657
Other income	47	-	47	2,792	-	2,792
Net assets released from restrictions	122,435	(122,435)	-	114,903	(114,903)	-
Total support and revenue	1,553,460	153,690	1,711,152	2,257,617	(45,736)	2,223,626
Expenses						
Program services						
Public information	748,476	-	748,476	1,079,655	-	1,079,655
Special projects	466,600	-	466,600	371,645	-	371,645
Total program services	1,215,076	-	1,215,076	1,451,300	-	1,451,300
Supporting services						
Fundraising	276,788	-	276,788	462,777	-	462,777
Management and general	178,155	-	178,155	176,919	-	176,919
Total expenses	1,670,019	-	1,670,019	2,090,996	-	2,090,996
Change in net assets from operations	(116,559)	153,690	41,133	166,621	(45,736)	132,630
Change in value of annuities	35,128	-	35,128	(2,555)	-	(2,555)
Change in net assets	(81,431)	153,690	76,261	164,066	(45,736)	130,075
Net assets, beginning of year	808,020	82,257	1,085,601	643,954	127,993	955,526
Net assets, end of year	\$ 726,589	\$ 235,947	\$ 1,161,862	\$ 808,020	\$ 82,257	\$ 1,085,601

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>	2010	2009
Cash flows from operating activities		
Change in net assets	\$ 76,261	\$ 130,075
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation and amortization	40,080	53,712
Contributed investments	(30,095)	(27,693)
Unrealized and realized gains on investments	(17,496)	(22,657)
Change in value of annuity liability	(35,128)	2,555
Change in present value discount on receivables	(436)	(14,360)
Change in beneficial interest in remainder trust	(94,983)	-
(Increase) decrease in:		
Receivables	(80,000)	28,000
Other assets	-	1,390
(Decrease) increase in:		
Accounts payable and accrued expenses	(6,276)	14,426
Net cash (used) provided by operating activities	(148,073)	165,448
Cash flows from investing activities		
Sale of investments	113,372	80,168
Purchase of investments	(54,539)	(123,874)
Purchase of property, building and equipment	(4,672)	(5,064)
Net cash provided (used) by investing activities	54,161	(48,770)
Cash flows from financing activities		
Payments on notes payable	(9,950)	(9,340)
Receipt of permanently restricted receivables	40,000	80,000
Proceeds from gift annuities received	30,577	-
Payments on gift annuities	(11,895)	(14,595)
Net cash provided by financing activities	48,732	56,065
Net change in cash and cash equivalents	(45,180)	172,743
Cash and cash equivalents, beginning of year	330,021	157,278
Cash and cash equivalents, end of year	\$ 284,841	\$ 330,021
Supplemental disclosures		
Interest paid during the year	\$ 12,236	\$ 12,848

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 young women for effective conservative leadership and promotes school choice opportunities for all kindergarten through twelfth grade children in America. 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*, media directories, periodicals and quarterly mailings. The special projects program focuses on lectures and other 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.

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 purpose. At December 31, 2010 and 2009, the Institute had \$199,326 and \$195,324, respectively, in permanently restricted net assets of which the proceeds earned are restricted for the internship program. This donation was a pledge given in 2007 to be paid over six years. As of December 31, 2010, \$160,000 of the pledge has been paid. The remaining pledge has been discounted to net present value.

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.

Clare Boothe Luce Policy Institute

Notes to Financial Statements

1. Organization and summary of significant accounting policies (continued)

Investments: Investments consist of certificates of deposit issued by financial institutions and equity securities. The equity securities are stated at fair value as determined by quoted market prices. For the certificates of deposit, the carrying amount represents estimated fair value developed by discounting the future payments using current interest rates for similar maturity dates.

Fair value: The Institute values investments 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.

Property and equipment: Property and equipment are recorded at the original cost and are being 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 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.

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. 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. The discount rate ranges from 1% to 6% depending on the discount rate in effect at the time of the gift.

Clare Boothe Luce Policy Institute

Notes to Financial Statements

1. Organization and summary of significant accounting policies (continued)

Revenue recognition:

Contributions and grants: The Institute recognizes all contributions and grants received 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. 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 Statement of Activities and Changes in Net Assets as net assets released from restrictions.

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.

Advertising costs: The Institute expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2010 and 2009, was \$10,000 and \$10,072, respectively.

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

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 Organization has no unrelated business income.

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, 2010 and 2009, there are no accruals for uncertain tax positions. If applicable, the Institute records interest and penalties as a component of income tax expense. Tax years from 2007 through the current year remain open for examination by tax authorities.

Clare Boothe Luce Policy Institute

Notes to Financial Statements

- 1. Organization and summary of significant accounting policies (continued)** **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.

Reclassifications: Certain 2009 balances have been reclassified to conform to the 2010 presentation.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through May 4, 2011, which is the date the financial statements are available to be issued.

- 2. Investments** Investments at December 31, 2010 and 2009, consist of the following:

	2010	2009
Certificate of deposit	\$ 127,006	\$ 124,093
Equity securities	53,846	20,101
Fixed income mutual funds	26,612	8,921
International equity mutual funds	10,808	-
Large cap equity mutual funds	43,316	56,986
Savings account	-	48,120
Small cap equity mutual funds	-	14,609
Total	\$ 261,588	\$ 272,830

For the years ended December 31, 2010 and 2009, net realized and unrealized gains related to investment activity were \$17,469 and \$22,657, respectively.

- 3. Fair value** The fair value of investments is as follows:

Fair Value Measurements at Reporting Date Using:			
December 31, 2010	Total	Level 1	Level 2
Investments:			
Certificates of deposit	\$ 127,006	\$ -	\$ 127,006
Equity securities	53,846	53,846	-
Fixed income mutual funds	26,612	26,612	-
International equity mutual funds	10,808	10,808	-
Large cap equity mutual funds	43,316	43,316	-
Total investments	\$ 261,588	\$ 134,582	\$ 127,006

Clare Boothe Luce Policy Institute

Notes to Financial Statements

3. Fair value (continued)	December 31, 2010	Total	Level 1	Level 2
	Beneficial interest in remainder trust	\$ 94,983	\$ -	\$ 94,983
	December 31, 2009	Total	Level 1	Level 2
	Investments:			
	Certificates of deposit	\$ 124,093	\$ -	\$ 124,093
	Equity securities	20,101	20,101	-
	Fixed income mutual funds	8,921	8,921	-
	Large cap equity mutual funds	56,986	56,986	-
	Savings account	48,120	48,120	-
	Small cap equity mutual funds	14,609	14,609	-
	Total investments	\$ 272,830	\$ 148,737	\$ 124,093

Level 2 beneficial interest in remainder trust, which is invested in money market funds and mutual funds, is measured at the present value of the future distributions expected to be received over the term of the agreement.

4. Receivables

Receivables at December 31, 2010 and 2009, consist of the following:

	2010	2009
Contributions receivable	\$ 140,000	\$ 100,000
Less: Discount on contributions receivable	(4,240)	(4,676)
Total receivables	\$ 135,760	\$ 95,324

Contributions receivable as of December 31, 2010, are as follows:

Due in less than one year	\$ 57,000
Due in one to five years	83,000
	140,000
Less: Discount on contributions receivable	(4,240)
Total	\$ 135,760

The discount on contributions receivable has been calculated using discount rates of 1.64% to 4.5%. Since uncollectible contributions receivable are considered to be insignificant, an allowance is not considered necessary.

Clare Boothe Luce Policy Institute

Notes to Financial Statements

5. Property, building and equipment

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

	2010	2009
Land	\$ 87,085	\$ 87,085
Buildings and improvements	709,286	709,286
Equipment	103,803	102,642
Furniture and fixtures	145,192	145,192
Software	14,153	12,653
Total	1,059,519	1,056,858
Less: Accumulated depreciation	(435,879)	(397,810)
Total	\$ 623,640	\$ 659,048

Depreciation and amortization expense for the years ended December 31, 2010 and 2009, was \$40,080 and \$53,712, respectively.

6. Notes payable

Outstanding notes payable are as follows at December 31:

	2010	2009
\$250,000 construction note payable commencing on September 6, 2002. The note was refinanced on March 4, 2008, for \$214,304. The new 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.	\$ 187,730	\$ 197,680
Less: Current portion	(10,737)	(10,088)
Total	\$ 176,993	\$ 187,592

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

Year ending December 31:

2011	\$ 10,737
2012	11,427
2013	12,162
2014	12,945
2015	13,777
Thereafter	126,682
Total	\$ 187,730

Clare Boothe Luce Policy Institute

Notes to Financial Statements

7. Temporarily restricted net assets

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

	2010	2009
Honorariums	\$ 800	\$ -
Internships	9,920	14,336
Mentoring	20,613	34,724
Mid-America conference	8,636	8,636
Schlaflly luncheon	2,817	2,817
Sense and sexuality printing	1,744	1,744
Time restricted	191,417	20,000
Total	\$ 235,947	\$ 82,257

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:

	2010	2009
Choice scholarships/school choice	\$ -	\$ 35
Dr. Keith C Wold Lecture Award	22,500	-
Honorariums	49,495	15,050
Internships	11,329	8,621
Mentoring	19,111	17,264
Schlaflly luncheon	-	4,683
Sense and sexuality printing	-	1,250
Technology	-	40,000
Time restricted	20,000	28,000
Total	\$ 122,435	\$ 114,903

8. Endowment funds

The Institute's endowment consists of one fund established to provide funding for an annual internship. The endowment consists of donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Clare Boothe Luce Policy Institute

Notes to Financial Statements

8. Endowment funds (continued)

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. 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 organization 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 organization
- (7) The investment policies of the organization.

Endowment Net Assets Composition by Type of Fund as of December 31:

	2010 Permanently Restricted	2009 Permanently Restricted
Donor-restricted endowment funds	\$ 199,326	\$ 195,324

Clare Boothe Luce Policy Institute

Notes to Financial Statements

8. Endowment funds (continued)	Changes in endowment net assets for the year ended December 31, 2010:		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 195,324	\$ 195,324
Change in present value discount on pledge	-	4,002	4,002
Investment income	2,913	-	2,913
Appropriation of endowment assets for expenditure	(2,913)	-	(2,913)
Endowment net assets, end of year	\$ -	\$ 199,326	\$ 199,326

Changes in endowment net assets for the year ended December 31, 2009:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 183,579	\$ 183,579
Change in present value discount on pledge	-	11,745	11,745
Investment income	912	-	912
Appropriation of endowment assets for expenditure	(912)	-	(912)
Endowment net assets, end of year	\$ -	\$ 195,324	\$ 195,324

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

	2010	2009
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	\$ 199,326	\$ 195,324

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 Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2010 and 2009.

Clare Boothe Luce Policy Institute

Notes to Financial Statements

8. Endowment funds (continued)

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. 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.

9. 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.

10. Allocation of joint costs

During 2010 and 2009, the Institute incurred joint costs of \$621,969 and \$1,068,896, 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:

	2010	2009
Program	\$ 452,759	\$ 700,972
Fundraising	169,210	367,924
Total	\$ 621,969	\$ 1,068,896

Clare Boothe Luce Policy Institute

Notes to Financial Statements

11. Concentration of credit risk Receivables at December 31, 2010, are comprised of two receivables totaling 100% of total receivables. Two receivables comprised 100% of the total at December 31, 2009.

12. 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, 2010, are as follows:

2011	\$	2,028
2012		1,352
<hr/>		
Total	\$	3,380

Rent expense for 2010 and 2009 was \$10,477 and \$7,203, respectively.



Independent Auditor's Report on Supplementary Information

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Board of Directors
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, 2010 and 2009, and our report thereon dated May 4, 2011, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Functional Expenses 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.

Aronson LLC

Rockville, Maryland
May 4, 2011

Clare Boothe Luce Policy Institute

Schedule of Functional Expenses

Year Ended December 31, 2010

	Program Services			Supporting Services			Total Expenses
	Public Information	Special Projects	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Accounting and legal	\$ -	\$ -	\$ -	\$ -	\$ 35,640	\$ 35,640	\$ 35,640
Advertising and marketing	9,754	10,150	19,904	3,059	-	3,059	22,963
Bank charges	-	-	-	-	5,678	5,678	5,678
Board meetings	-	-	-	-	1,292	1,292	1,292
Computer and website services	9,055	1,969	11,024	1,932	-	-	15,830
Conferences	225	73,924	74,149	3,611	-	-	77,760
Consultants	2,894	2,121	5,015	7,578	1,104	8,682	13,697
Depreciation and amortization	15,631	12,826	28,457	4,810	6,813	11,623	40,080
Direct mail	355,829	-	355,829	136,463	-	136,463	492,292
Equipment	3,121	898	4,019	61	475	536	4,555
Fees	974	15	989	208	2,928	3,136	4,125
Films, books and literature	2,116	210	2,326	29	-	29	2,355
Honorariums	-	78,500	78,500	-	-	-	78,500
House file mailings	51,348	27,817	79,165	32,007	-	32,007	111,172
Insurance	5,237	4,297	9,534	1,611	2,283	3,894	13,428
Interest	4,772	3,916	8,688	1,468	2,080	3,548	12,236
Internships	-	1,340	1,340	-	-	-	1,340
Newsletters	17,765	-	17,765	740	-	740	18,505
Payroll	213,626	175,283	388,909	65,731	93,119	158,850	547,759
Payroll taxes	14,210	11,659	25,869	4,372	6,194	10,566	36,435
Personal property tax	819	672	1,491	252	357	609	2,100
Personal security services	-	11,826	11,826	-	-	-	11,826
Photography	333	4,580	4,913	-	-	-	4,913
Postage	5,652	2,846	8,498	1,342	3,082	4,424	12,922
Printing	9,876	351	10,227	944	273	1,217	11,444
Public relations	109	66	175	455	48	503	678
Real estate tax	3,989	3,273	7,262	1,227	1,739	2,966	10,228
Rent and occupancy	9,078	7,482	16,560	2,921	4,061	6,982	23,542
Shipping and delivery	2,316	197	2,513	18	-	18	2,531
Software	1,037	851	1,888	319	452	771	2,659
Supplies and miscellaneous	2,084	537	2,621	582	2,021	2,603	5,224
Telecommunications	3,679	-	3,679	382	-	382	4,061
Travel	2,947	28,994	31,941	4,666	5,642	10,308	42,249
Total	\$ 748,476	\$ 466,600	\$ 1,215,076	\$ 276,788	\$ 178,155	\$ 454,943	\$ 1,670,019

Refer to Independent Auditor's Report on Supplementary Information.

Clare Boothe Luce Policy Institute

Schedule of Functional Expenses

Year Ended December 31, 2009

	Program Services			Supporting Services			Total
	Public Information	Special Projects	Total Program Services	Fundraising	Management and General	Total Supporting Services	
	\$	\$	\$	\$	\$	\$	Expenses
Accounting and legal							34,339
Advertising and marketing		9,060	13,354	3,166	-	3,166	16,520
Bank charges	4,294	-	-	-	8,889	8,889	8,889
Board meetings	-	-	-	-	991	991	991
Computer and website services	23,587	2,032	25,619	1,823	2,630	4,453	30,072
Conferences	597	72,686	73,283	-	-	-	73,283
Consultants	872	510	1,382	90	808	898	2,280
Depreciation and amortization	22,022	16,114	38,136	6,445	9,131	15,576	53,712
Direct mail	638,365	-	638,365	336,536	-	336,536	974,901
Equipment	990	-	990	-	259	259	1,249
Fees	858	88	946	88	1,680	1,768	2,714
Films, books and literature	25,355	1,281	26,636	-	-	-	26,636
Honorariums	-	25,600	25,600	-	-	-	25,600
House file mailings	29,375	17,985	47,360	27,576	-	27,576	74,936
Insurance	5,937	4,344	10,281	1,738	2,462	4,200	14,481
Interest	5,268	3,854	9,122	1,542	2,184	3,726	12,848
Internships	144	2,293	2,437	-	-	-	2,437
Newsletters	15,247	-	15,247	3,812	-	3,812	19,059
Payroll	224,022	163,919	387,941	65,567	92,887	158,454	546,395
Payroll taxes	15,150	11,085	26,235	4,434	6,282	10,716	36,951
Personal property tax	1,092	799	1,891	320	453	773	2,664
Personal security services	-	850	850	-	-	-	850
Photography	59	6,225	6,284	53	-	53	6,337
Postage	27,420	191	27,611	1,255	880	2,135	29,746
Printing	12,835	1,102	13,937	(101)	141	40	13,977
Public relations	-	1,170	1,170	599	657	1,256	2,426
Real estate tax	4,476	3,275	7,751	1,310	1,856	3,166	10,917
Rent and occupancy	10,355	7,578	17,933	3,030	4,294	7,324	25,257
Scholarships	-	5,000	5,000	-	-	-	5,000
Shipping and delivery	1,393	199	1,592	13	-	13	1,605
Software	229	168	397	67	95	162	559
Supplies and miscellaneous	4,064	1,082	5,146	115	3,719	3,834	8,980
Telecommunications	4,557	-	4,557	-	-	-	4,557
Travel	1,092	13,155	14,247	3,299	2,282	5,581	19,828
Total	\$ 1,079,655	\$ 371,645	\$ 1,451,300	\$ 462,777	\$ 176,919	\$ 639,696	\$ 2,090,996

Refer to Independent Auditor's Report on Supplementary Information.