

CLARE BOOTHE LUCE POLICY INSTITUTE

**AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2013 AND 2012



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, 2013 and 2012, 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, 2013 and 2012, 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.

Aronson LLC

Rockville, Maryland
May 19, 2014

Clare Boothe Luce Policy Institute

Statements of Financial Position

<i>December 31,</i>	2013	2012
Assets		
Current assets		
Cash and cash equivalents	\$ 350,157	\$ 439,854
Investments	318,125	211,174
Current portion of receivables	125,000	25,000
Total current assets	793,282	676,028
Property and equipment, net	552,550	577,262
Receivables, net of current portion	611,071	498,750
Other assets	2,825	7,400
Beneficial interest in trusts	166,887	160,480
Cash and investments held for long term purpose	250,000	200,000
Total other assets	1,030,783	866,630
Total assets	\$ 2,376,615	\$ 2,119,920
 Liabilities and Net Assets		
Current liabilities		
Current portion of note payable	\$ 12,945	\$ 12,162
Accounts payable and accrued expenses	11,903	11,356
Current portion of gift annuities payable	5,715	5,420
Total current liabilities	30,563	28,938
Gift annuities payable, net of current portion	42,547	31,888
Note payable, net of current portion	129,397	142,917
Total long-term liabilities	171,944	174,805
Total liabilities	202,507	203,743
Net assets		
Unrestricted	936,254	960,376
Temporarily restricted	275,183	281,251
Permanently restricted	962,671	674,550
Total net assets	2,174,108	1,916,177
Total liabilities and net assets	\$ 2,376,615	\$ 2,119,920

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>	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	511,022	-	-	511,022
Special projects	564,135	-	-	564,135
Total program services	1,075,157	-	-	1,075,157
Supporting services				
Fundraising	172,774	-	-	172,774
Management and general	138,160	-	-	138,160
Total expenses	1,386,091	-	-	1,386,091
Changes in net assets from operations	(22,570)	(17,675)	288,121	247,876
Change in value of trusts	-	11,607	-	11,607
Change in value of annuities	(1,552)	-	-	(1,552)
Changes in net assets	(24,122)	(6,068)	288,121	257,931
Net assets, beginning of year	960,376	281,251	674,550	1,916,177
Net assets, end of year	\$ 936,254	\$ 275,183	\$ 962,671	\$ 2,174,108

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, 2012</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Contributions	\$ 1,491,243	\$ 113,589	\$ 474,550	\$ 2,079,382
Grants	79,500	-	-	79,500
Gift annuities	2,506	-	-	2,506
Contributed investments	38,389	-	-	38,389
List rental income	24,266	-	-	24,266
Honorarium contributions	-	46,850	-	46,850
Interest income	3,318	1,452	-	4,770
Net gain on investments	19,649	23,378	-	43,027
Other income	8,722	-	-	8,722
Net assets released from restrictions	198,581	(198,581)	-	-
Total support and revenue	1,866,174	(13,312)	474,550	2,327,412
Expenses				
Program services				
Public information	646,700	-	-	646,700
Special projects	522,710	-	-	522,710
Total program services	1,169,410	-	-	1,169,410
Supporting services				
Fundraising	158,585	-	-	158,585
Management and general	143,841	-	-	143,841
Total expenses	1,471,836	-	-	1,471,836
Changes in net assets from operations	394,338	(13,312)	474,550	855,576
Change in value of trusts	-	20,545	-	20,545
Change in value of annuities	(1,672)	-	-	(1,672)
Changes in net assets	392,666	7,233	474,550	874,449
Net assets, beginning of year	567,710	274,018	200,000	1,041,728
Net assets, end of year	\$ 960,376	\$ 281,251	\$ 674,550	\$ 1,916,177

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>	2013	2012
Cash flows from operating activities		
Changes in net assets	\$ 257,931	\$ 874,449
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities		
Depreciation and amortization	25,962	30,104
Contributed investments	(16,257)	(38,389)
Unrealized and realized gains on investments	(90,536)	(43,027)
Change in value of annuities	1,552	1,672
Change in present value discount on receivables	202,679	24,259
Change in beneficial interest in trusts	(6,407)	11,353
(Increase) decrease in:		
Receivables	(465,000)	(475,000)
Other assets	4,575	(6,658)
(Decrease) increase in:		
Accounts payable and accrued expenses	547	4,599
Net cash (used) provided by operating activities	(84,954)	383,362
Cash flows from investing activities		
Sale of investments	41,829	34,600
Purchase of investments	(91,987)	(7,908)
Purchase of property, building and equipment	(1,250)	(13,564)
Net cash (used) provided by investing activities	(51,408)	13,128
Cash flows from financing activities		
Payments on notes payable	(12,737)	(11,929)
Receipt of permanently restricted funds	50,000	-
Proceeds from gift annuities received	16,668	2,495
Payments on gift annuities	(7,266)	(6,838)
Net cash provided (used) by financing activities	46,665	(16,272)
Net change in cash and cash equivalents	(89,697)	380,218
Cash and cash equivalents, beginning of year	439,854	59,636
Cash and cash equivalents, end of year	\$ 350,157	\$ 439,854
Supplemental disclosures		
Interest paid during the year	\$ 13,812	\$ 10,260

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. 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 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. 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, 2013 and 2012, the Institute had \$962,671 and \$674,550, respectively, in permanently restricted net assets. The investment income earned on \$200,000 is restricted for the internship program. During the year ended December 31, 2013, a bequest of \$490,000 was pledged which will be distributed over 10 years after the distributable event. Once received, the investment income earned on this 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, 2013, \$50,000 has been collected on this pledge. Once received, the investment income earned on this will be unrestricted.

Clare Boothe Luce Policy Institute

Notes to Financial Statements

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 interest 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, 2013 and 2012. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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, 2013 and 2012 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, 2013 and 2012.

Clare Boothe Luce Policy Institute

Notes to Financial Statements

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 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.

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.

Clare Boothe Luce Policy Institute

Notes to Financial Statements

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, 2013 and 2012, was \$4,454 and \$8,490, 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.

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, 2013 and 2012, 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 2010 through the current year remain open for examination by tax authorities.

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.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through May 19, 2014, which was the date the financial statements were available to be issued.

Clare Boothe Luce Policy Institute

Notes to Financial Statements

2. Investments Investments at December 31, 2013 and 2012, consist of the following:

	2013	2012
Equity securities	\$ 133,078	\$ 109,922
Fixed income mutual funds	130,114	100,292
Index mutual funds	219,962	144,777
International equity mutual funds	16,525	11,055
Large cap equity mutual funds	66,388	44,351
Money market funds	2,058	777
Total	\$ 568,125	\$ 411,174

Investments as listed on the Statements of Financial Position at December 31, 2013 and 2012 are comprised of:

	2013	2012
Investments, current	\$ 318,125	\$ 211,174
Investments held for long term purposes	250,000	200,000
Total investments	\$ 568,125	\$ 411,174

For the years ended December 31, 2013 and 2012, net realized and unrealized gains related to investment activity were \$90,536 and \$43,027, respectively.

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

Fair Value Measurements at Reporting Date Using:

December 31, 2013	Total	Level 1	Level 2
Investments:			
Equity securities	\$ 133,078	\$ 133,078	\$ -
Fixed income mutual funds	130,114	130,114	-
Index mutual funds	219,962	219,962	-
International equity mutual funds	16,525	16,525	-
Large cap equity mutual funds	66,388	66,388	-
Money market funds	2,058	2,058	-
Total investments	\$ 568,125	\$ 568,125	\$ -
Beneficial interest in trusts	\$ 166,887	\$ -	\$ 166,887

Clare Boothe Luce Policy Institute

Notes to Financial Statements

December 31, 2012	Total	Level 1	Level 2
Investments:			
Equity securities	\$ 109,922	\$ 109,922	\$ -
Fixed income mutual funds	100,292	100,292	-
Index mutual funds	144,777	144,777	-
International equity mutual funds	11,055	11,055	-
Large cap equity mutual funds	44,351	44,351	-
Money market funds	777	777	-
<hr/>			
Total investments	\$ 411,174	\$ 411,174	\$ -
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Beneficial interest in trusts	\$ 160,480	\$ -	\$ 160,480

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, 2013 and 2012, consist of the following:

	2013	2012
Contributions receivable	\$ 965,000	\$ 550,000
Less: Discount on contributions receivable	(228,929)	(26,250)
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Total receivables	\$ 736,071	\$ 523,750

Contributions receivable as of December 31, 2013, are due as follows:

Due in less than one year	\$ 125,000
Due in one to five years	350,000
Due in more than five years	490,000
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	965,000
Less: Discount on contributions receivable	(228,929)
<hr/>	
Total	\$ 736,071

The discount on contributions receivable has been calculated using discount rates of 1.2% to 3.92%.

Two receivables totaled 98% of total receivables at December 31, 2013. One receivable totaled 91% of total receivables at December 31, 2012.

Clare Boothe Luce Policy Institute

Notes to Financial Statements

- 5. Beneficial interest** The amounts representing beneficial interest in trusts at December 31 are as follows:

	2013	2012
Remainder trust	\$ 120,439	\$ 109,809
Term trust	46,448	50,671
Total	\$ 166,887	\$ 160,480

- 6. Property, building and equipment** The following is a summary of property, building and equipment, and accumulated depreciation and amortization as of December 31:

	2013	2012
Land	\$ 87,085	\$ 87,085
Buildings and improvements	710,536	709,286
Equipment	100,549	100,549
Furniture and fixtures	145,192	145,192
Software	17,124	17,124
Total	1,060,486	1,059,236
Less: Accumulated depreciation and amortization	(507,936)	(481,974)
Total	\$ 552,550	\$ 577,262

Depreciation and amortization expense for the years ended December 31, 2013 and 2012, was \$25,962 and \$30,104, respectively.

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

	2013	2012
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.	\$ 142,342	\$ 155,079
Less: Current portion	(12,945)	(12,162)
Total	\$ 129,397	\$ 142,917

Clare Boothe Luce Policy Institute

Notes to Financial Statements

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

Year ending December 31:	Amount
2014	12,945
2015	13,777
2016	14,664
2017	15,607
2018	16,611
Thereafter	68,738
Total	\$ 142,342

8. Temporarily restricted net assets

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

	2013	2012
Conferences	\$ 8,636	\$ 8,636
Dr. Keith C. Wold lecture	13,811	-
Field named lecture series	2,730	-
Honorariums	800	800
Internships	28,894	22,988
Luncheons	21,156	28,500
Publication	44	1,744
Technology	8,027	8,905
Time restricted	191,085	209,678
Total	\$ 275,183	\$ 281,251

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:

	2013	2012
20 th Anniversary	\$ 40,000	\$ -
Conferences	-	4,938
Dr. Keith C. Wold lecture	6,189	20,000
Field named lecture series	7,270	-
Honorariums	4,500	51,310
Internships	38,397	20,659
Luncheons	7,344	27,318
Malcolm Smith Seminar	40,000	-
Mentoring	-	5,292
Publication	1,700	-
Technology	878	12,165
Time restricted	30,200	56,899
Total	\$ 176,478	\$ 198,581

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, 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

Clare Boothe Luce Policy Institute

Notes to Financial Statements

Changes in endowment net assets for the year ended December 31, 2012:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 200,000	\$ 200,000
Investment income			
Interest income	1,452	-	1,452
Net loss (realized and unrealized)	23,378	-	23,378
Total investment return	24,830	-	24,830
Contributions - pledge	-	474,550	474,550
Appropriation of endowment assets for expenditure	(24,830)	-	(24,830)
Endowment net assets, end of year	\$ -	\$ 674,550	\$ 674,550

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

	2013	2012
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	\$ 962,671	\$ 674,550

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, 2013 and 2012.

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 2013, one donor gave 36% of total contributions. In 2012, two donors gave 48% 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 2013 and 2012, the Institute incurred joint costs of \$398,085 and \$417,250, 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:

	<u>2013</u>	<u>2012</u>
Program	\$ 275,034	\$ 315,313
Fundraising	123,051	101,937
Total	\$ 398,085	\$ 417,250

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, 2013, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2014	2,628
2015	2,628
2016	2,628
2017	1,314
Total	\$ 9,198

Rent expense for 2013 and 2012 was \$3,047 and \$2,749, respectively.



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, 2013 and 2012, and our report thereon dated May 19, 2014, 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 21 and 22 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 19, 2014

Clare Boothe Luce Policy Institute

Schedule of Functional Expenses

Year Ended December 31, 2013

	Program Services		Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Public Information	Special Projects		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	120,688	-	120,688	83,694	-	83,694	204,382
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	\$ 511,022	\$ 564,135	\$ 1,075,157	\$ 172,774	\$ 138,160	\$ 310,934	\$ 1,386,091

Refer to Independent Auditor's Report on Supplementary Information.

Clare Boothe Luce Policy Institute

Schedule of Functional Expenses

Year Ended December 31, 2012

	Program Services			Supporting Services			Total Expenses
	Public Information	Special Projects	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Accounting and legal	\$ -	\$ -	\$ -	\$ -	\$ 35,367	\$ 35,367	\$ 35,367
Advertising and marketing	4,655	2,835	7,490	1,000	-	1,000	8,490
Bank charges	-	-	-	-	6,529	6,529	6,529
Board meetings	-	-	-	-	7,768	7,768	7,768
Conferences	-	93,264	93,264	-	67	67	93,331
Consultants	-	-	-	-	359	359	359
Depreciation and amortization	11,509	13,089	24,598	2,023	3,483	5,506	30,104
Direct mail	160,950	-	160,950	75,186	-	75,186	236,136
Equipment	2,508	160	2,668	160	160	320	2,988
Fees	-	-	-	13	2,705	2,718	2,718
Films, books and literature	3,377	1,264	4,641	277	-	277	4,918
Honorariums	-	71,000	71,000	-	-	-	71,000
House file mailings	141,658	780	142,438	26,161	-	26,161	168,599
Insurance	5,105	5,806	10,911	897	1,545	2,442	13,353
Interest	3,921	4,462	8,383	690	1,187	1,877	10,260
Internships	977	8,428	9,405	-	-	-	9,405
Newsletters	11,946	-	11,946	569	-	569	12,515
Payroll	220,723	251,034	471,757	38,799	66,800	105,599	577,356
Payroll taxes	14,672	16,686	31,358	2,579	4,440	7,019	38,377
Personal property tax	743	845	1,588	131	225	356	1,944
Personal security services	-	5,605	5,605	-	-	-	5,605
Photography	55	3,657	3,712	2	13	15	3,727
Postage, shipping, and delivery	10,118	181	10,299	1,042	1,236	2,278	12,577
Printing	11,610	2,599	14,209	-	194	194	14,403
Public relations	186	14	200	-	306	306	506
Real estate tax	4,591	5,221	9,812	807	1,389	2,196	12,008
Rent and occupancy	9,427	10,665	20,092	1,994	3,997	5,991	26,083
Software	845	961	1,806	148	256	404	2,210
Supplies and miscellaneous	4,342	2,423	6,765	1,015	1,740	2,755	9,520
Technology	7,361	2,947	10,308	3,127	4,003	7,130	17,438
Telecommunications	4,699	-	4,699	-	-	-	4,699
Travel	10,722	18,784	29,506	1,965	72	2,037	31,543
Total	\$ 646,700	\$ 522,710	\$ 1,169,410	\$ 158,585	\$ 143,841	\$ 302,426	\$ 1,471,836

Refer to Independent Auditor's Report on Supplementary Information.