



**CLARE BOOTHE LUCE
POLICY INSTITUTE**

Preparing and Promoting Conservative Women Leaders

**INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

CLARE BOOTHE LUCE POLICY INSTITUTE

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Clare Boothe Luce Policy Institute, a nonprofit organization, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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.

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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Associates

REBECCA BARTHOLOMAE, CPA
DEBORAH L. HARRIS, CPA

Members

AMERICAN INSTITUTE OF CPAs
VIRGINIA SOCIETY OF CPAs

Prior Period Financial Statements

The financial statements of Clare Boothe Luce Policy Institute as of December 31, 2014, were audited by other auditors whose report dated June 3, 2015, expressed an unqualified opinion on those statements.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 19 is presented for purposes of additional analysis and is 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.

Burdette Smith + Bish, LLC

Fairfax, Virginia
April 27, 2016

CLARE BOOTHE LUCE POLICY INSTITUTE

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 234,185	\$ 353,376
Investments	384,620	380,295
Contributions receivable, net	199,118	133,017
Total Current Assets	817,923	866,688
PROPERTY AND EQUIPMENT, AT COST	982,483	1,005,506
Less: accumulated depreciation and amortization	(457,357)	(468,675)
	525,126	536,831
OTHER ASSETS		
Contributions receivable, net	828,313	882,630
Other assets	3,412	12,929
Beneficial interest in trusts	157,017	171,681
Investments held for long term purpose	300,000	300,000
	1,288,742	1,367,240
	\$ 2,631,791	\$ 2,770,759
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses.....	\$ 34,405	\$ 254,297
Current portion of note payable	14,666	13,780
Current portion of gift annuities payable	5,419	6,811
Total Current Liabilities	54,490	274,888
LONG-TERM LIABILITIES		
Note payable (net of current portion)	100,757	116,019
Gift annuities payable (net of current portion)	31,911	34,816
	132,668	150,835
COMMITMENTS		
NET ASSETS		
Unrestricted.....	719,166	775,092
Temporarily restricted	363,054	275,714
Permanently restricted	1,362,413	1,294,230
	2,444,633	2,345,036
	\$ 2,631,791	\$ 2,770,759

The accompanying notes are an integral part of these financial statements.

CLARE BOOTHE LUCE POLICY INSTITUTE

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 817,839	\$ 195,674	\$ 68,183	\$ 1,081,696
Grants	58,000	-	-	58,000
Contributed investments	7,130	-	-	7,130
Honorarium contributions	7,450	-	-	7,450
Investment income	(28,024)	10,696	-	(17,328)
Other income	267,637	-	-	267,637
	1,130,032	206,370	68,183	1,404,585
Net assets released from restrictions	110,591	(110,591)	-	-
	1,240,623	95,779	68,183	1,404,585
EXPENSES				
Program services				
Public information	550,478	-	-	550,478
Special projects	446,588	-	-	446,588
Total Program Services	997,066	-	-	997,066
General and administrative	231,900	-	-	231,900
Fundraising	66,116	-	-	66,116
	1,295,082	-	-	1,295,082
CHANGES IN NET ASSETS				
FROM OPERATIONS	(54,459)	95,779	68,183	109,503
CHANGE IN VALUE OF TRUSTS	-	(8,439)	-	(8,439)
CHANGE IN VALUE OF ANNUITIES	(1,467)	-	-	(1,467)
TOTAL INCREASE (DECREASE)				
IN NET ASSETS	(55,926)	87,340	68,183	99,597
NET ASSETS, BEGINNING OF YEAR	775,092	275,714	1,294,230	2,345,036
NET ASSETS, END OF YEAR	\$ 719,166	\$ 363,054	\$ 1,362,413	\$ 2,444,633

The accompanying notes are an integral part of these financial statements.

CLARE BOOTHE LUCE POLICY INSTITUTE

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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
Investment income	34,506	25,729	-	60,235
Other income	155	-	-	155
	<u>1,179,414</u>	<u>162,802</u>	<u>331,559</u>	<u>1,673,775</u>
Net assets released from restrictions	<u>172,875</u>	<u>(172,875)</u>	<u>-</u>	<u>-</u>
	<u>1,352,289</u>	<u>(10,073)</u>	<u>331,559</u>	<u>1,673,775</u>
EXPENSES				
Program services				
Public information	500,868	-	-	500,868
Special projects	537,599	-	-	537,599
Total program services	<u>1,038,467</u>	<u>-</u>	<u>-</u>	<u>1,038,467</u>
General and administrative	165,682	-	-	165,682
Fundraising	98,475	-	-	98,475
	<u>1,302,624</u>	<u>-</u>	<u>-</u>	<u>1,302,624</u>
CHANGES IN NET ASSETS				
FROM OPERATIONS	<u>49,665</u>	<u>(10,073)</u>	<u>331,559</u>	<u>371,151</u>
Change in value of trusts	-	10,604	-	10,604
Change in value of annuities	<u>(1,550)</u>	<u>-</u>	<u>-</u>	<u>(1,550)</u>
TOTAL INCREASE (DECREASE)				
IN NET ASSETS	48,115	531	331,559	380,205
NET ASSETS, BEGINNING OF YEAR	726,977	275,183	962,671	1,964,831
NET ASSETS, END OF YEAR	<u>\$ 775,092</u>	<u>\$ 275,714</u>	<u>\$ 1,294,230</u>	<u>\$ 2,345,036</u>

The accompanying notes are an integral part of these financial statements.

CLARE BOOTHE LUCE POLICY INSTITUTE

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase (decrease) in net assets	\$ <u>99,597</u>	\$ <u>380,205</u>
Adjustments to reconcile net assets to net cash provided by (used in) operating activities:		
Donated stocks	(7,130)	-
Depreciation and amortization	28,566	26,632
Change in present value discount on contributions receivable	(58,183)	168,441
Change in value of annuities	1,467	1,550
Change in beneficial interest in trusts	14,664	(4,794)
(Gain) loss on dispositions	160	-
Unrealized (gain) loss on investments	40,578	(42,863)
(Increase) decrease in:		
Contributions receivable	46,399	(498,017)
Other assets	9,517	(10,104)
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>(219,892)</u>	<u>33,117</u>
	<u>(136,724)</u>	<u>(326,038)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(44,257)</u>	<u>54,167</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Cash used to purchase property and equipment	(17,021)	(10,913)
Cash used to purchase investments	(104,787)	(116,016)
Cash proceeds from sale of investments	67,014	46,709
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(54,794)</u>	<u>(80,220)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payments on notes payable	(14,376)	(12,543)
Receipt of permanently restricted funds	-	50,000
Proceeds from gift annuities received	2,566	-
Payments on gift annuities	(8,330)	(8,185)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(20,140)</u>	<u>29,272</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(119,191)	3,219
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>353,376</u>	<u>350,157</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u><u>234,185</u></u>	\$ <u><u>353,376</u></u>
<u>SUPPLEMENTAL CASH FLOW INFORMATION</u>		
Cash paid for interest	\$ <u>7,758</u>	\$ <u>7,263</u>

The accompanying notes are an integral part of these financial statements.

CLARE BOOTHE LUCE POLICY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

NOTE 1 – Organization and Summary of Significant Accounting Policies

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 are presented in accordance with 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

To ensure the observance of limitations and restrictions placed on the use of resources available to the Institute, resources for various purposes are classified for accounting purposes into classes established according to their nature and purpose as follows:

Unrestricted net assets - consist of net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - consist of 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 Statement of Activities as net assets released from restrictions.

Permanently restricted net assets - consist of 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.

Cash Equivalents

For purposes of the statement of cash flows, 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. Interest, dividends and realized gains or losses are recorded when earned or sustained. Fluctuations in the market value of the portfolio are recorded as unrealized gains or losses in the accompanying statements of activities.

CLARE BOOTHE LUCE POLICY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

NOTE 1 - Summary of Significant Accounting Policies, Continued

Fair Value of Financial Instruments

The Institute values investments and beneficial interests in trusts at fair value in accordance with a three-tiered 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;
- Level 3: Unobservable inputs in which there is little or no market data and 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, 2015 and 2014. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The carrying amounts for cash and cash equivalents, accounts payable, accrued liabilities and current maturities of long-term borrowing approximate fair market value because of the short maturity of these instruments. The carrying amount of long-term debt approximates fair market value because the interest rate on the instrument is consistent with rates offered for debt with similar terms and maturities.

Contributions Receivable

Unconditional promises to give that are 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 discount rates used as of December 31, 2015 and 2014 range from 1.0% to 1.2%. 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. However, no allowance for doubtful accounts has been recorded as management believes all promises are fully collectible as of December 31, 2015 and 2014.

Property and Equipment

Property and equipment (including major renewals, replacements and betterments), with a cost of \$500 or more, are capitalized and stated at cost. Expenditures for ordinary maintenance and repair items are charged to operations as incurred. Upon the sale or other disposition of property, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the changes in net assets. Depreciation is provided for principally under the straight-line method. Asset useful lives are from three to forty years. Leasehold improvements are amortized under the straight-line method over the lease term.

CLARE BOOTHE LUCE POLICY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

NOTE 1 - Summary of Significant Accounting Policies, Continued

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 statement of activities.

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.

Income Recognition

Contributions and grants received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Institute reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. 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 reported in the statement of activities as net assets released from restriction.

Contributions of marketable securities are recorded at the fair market value at the date of donation.

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

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs were \$6,013 and \$1,922 for the years ended December 31, 2015 and 2014, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying supplemental schedule of functional expenses. Accordingly, certain costs have been allocated among the program, general and administrative and fundraising activities benefitted based on level of effort.

CLARE BOOTHE LUCE POLICY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

NOTE 1 - Summary of Significant Accounting Policies, Continued

Tax Exempt Status

The Institute has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended and classified as other than a private foundation. However, income from certain activities not directly related to the Program's tax-exempt purpose may be subject to taxation as unrelated business income.

Management has evaluated the Institute's tax positions and concluded that the Institute had taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Institute is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years prior to 2012.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the financial statements include the collectability of promises to give, the discount rates used to record net present value adjustment on long-term promises to give and the estimated useful lives of property and equipment.

Subsequent Events

In preparing the accompanying financial statements, management has evaluated events and transactions for potential recognition or disclosure through April 27, 2016, the date the financial statements were available for issuance.

NOTE 2 - Investments

Investments are stated at fair value using level 1 valuation methodology and consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Index mutual funds	\$ 310,194	\$ 258,504
Equity securities	186,179	201,829
Fixed income mutual funds	109,688	137,197
Large cap equity mutual funds	58,981	63,470
International equity mutual funds	14,885	14,561
Money market funds	4,693	4,734
	<u>\$ 684,620</u>	<u>\$ 680,295</u>
Current portion	\$ 384,620	\$ 380,295
Long-term portion	300,000	300,000
	<u>\$ 684,620</u>	<u>\$ 680,295</u>

CLARE BOOTHE LUCE POLICY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

NOTE 2 – Investments, continued

Investment income is comprised of the following at December 31:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 23,250	\$ 17,372
Realized and unrealized gains (losses)	(40,578)	42,863
	<u>\$ (17,328)</u>	<u>\$ 60,235</u>

NOTE 3 – Contributions Receivable

Receivables consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Due in one year or less	\$ 199,118	\$ 133,017
Due in two to five years	310,000	300,000
Due in more than five years	857,500	980,000
	1,366,618	1,413,017
Less: allowance for doubtful collections	-	-
Less: discount to net present value	(339,187)	(397,370)
	\$ 1,027,431	\$ 1,015,647
Current portion	\$ 199,118	\$ 133,017
Long-term portion	828,313	882,630
	\$ 1,027,431	\$ 1,015,647

The discount on contribution receivables was calculated using discount rates of 1.2% and 1.2% for the years ended December 31, 2015 and 2014, respectively. There was no bad debt expense recognized on contributions receivable for the years ended December 31, 2015 and 2014.

Three receivables totaled 98% of total receivables at December 31, 2015. Three receivables totaled 98% of total receivables at December 31, 2014.

NOTE 4 – Beneficial Interest in Trusts

Beneficial interests in trusts are stated at fair value using level 2 valuation methodology and consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Remainder trust	\$ 121,453	\$ 130,364
Term trust	35,564	41,317
	\$ 157,017	\$ 171,681

Beneficial interest in trusts, which is invested in money market 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.

CLARE BOOTHE LUCE POLICY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

NOTE 5 – Property and Equipment

Property and equipment, at cost, and the related accumulated depreciation and amortization as of December 31 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 87,085	\$ 87,085
Building and improvements	726,883	717,003
Equipment	51,003	69,434
Furniture and fixtures	114,541	117,888
Software	2,971	14,096
	982,483	1,005,506
Less: accumulated depreciation and amortization ...	(457,357)	(468,675)
	\$ 525,126	\$ 536,831

Depreciation and amortization expense totaled \$28,566 and \$26,632 for the years ended December 31, 2015 and 2014, respectively.

NOTE 6 – Note Payable

The Institute has a note payable in the original amount of \$214,304, which is payable in monthly installments of principal and interest of \$1,849 for 180 months at an interest rate of 6.25%. The note, which matures on March 6, 2023, is secured by the Institute's property.

The outstanding note payable is as follows at December 31:

	<u>2015</u>	<u>2014</u>
Note payable	\$ 115,423	\$ 129,799
Current maturities	\$ 14,666	\$ 13,780
Long-term maturities	100,757	116,019
	\$ 115,423	\$ 129,799

Long-term debt maturities for years ending December 31 are as follows:

2017	\$ 16,255
2018	17,300
2019	18,414
2020	19,598
Thereafter	29,190
	\$ 100,757

Interest expense for the years ended December 31, 2015 and 2014 totaled \$7,758 and \$7,263, respectively.

CLARE BOOTHE LUCE POLICY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

NOTE 7 – Temporarily Restricted Net Assets

All unconditional promises to give are recorded as temporarily restricted net assets and income at the time the promise is communicated. The promises are considered temporarily restricted because the donor is restricting the time period in which the assets may be used by not transferring them immediately. Funds received that have a donor restriction on the use are also recorded as temporarily restricted net assets. When a restriction expires, that is, when a stipulated time restriction or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Temporarily restricted net assets are restricted for the following purpose at December 31:

	<u>2015</u>	<u>2014</u>
Conferences	\$ 2,348	\$ 11,209
Dr. Keith C. Wold lecture	9,200	19,000
Field named lecture series	414	-
Honorariums	800	800
Internships	11,761	6,631
Luncheons.....	2,817	2,817
Technology.....	19,579	40,560
Time restricted	316,135	194,697
	<u>\$ 363,054</u>	<u>\$ 275,714</u>

Temporarily restricted net assets released from restriction are as follows for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Conferences	\$ 26,506	\$ 12,876
Dr. Keith C. Wold lecture	9,800	24,811
Field named lecture series	-	2,730
Internships	15,151	64,100
Luncheons.....	-	20,838
Publication.....	-	45
Technology.....	20,981	17,466
Time restricted	38,153	30,009
	<u>\$ 110,591</u>	<u>\$ 172,875</u>

NOTE 8 – Endowment Funds

The Institute's endowment consists of three donor-restricted funds. One is to provide funding for an annual internship. The second is to provide funding for general operations. The third 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.

CLARE BOOTHE LUCE POLICY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

NOTE 8 – Endowment Funds, continued

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.

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, 2015:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,294,230	\$ 1,294,230
Net gain (realized and unrealized)	10,281		10,281
Contributions		10,000	10,000
Appropriation of endowment assets for expenditure	(10,281)	58,183	47,902
Endowment net assets, end of year	\$ -	\$ 1,362,413	\$ 1,362,413

CLARE BOOTHE LUCE POLICY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

NOTE 8 – Endowment Funds, continued

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

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 962,671	\$ 962,671
Net gain (realized and unrealized)	25,729		25,729
Contributions		-	-
Appropriation of endowment assets for expenditure	<u>(25,729)</u>	<u>331,559</u>	<u>305,830</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,294,230</u>	<u>\$ 1,294,230</u>

Permanently restricted net assets consisting of the portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA totaled \$ 1,362,413 and \$ 1,294,230 at December 31, 2015 and 2014, respectively.

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 required the Institute to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2015 and 2014.

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.

CLARE BOOTHE LUCE POLICY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

NOTE 9 – Concentration

In 2015, three donors gave 37% of total contributions. In 2014, one donor gave 29% of total contributions.

NOTE 10 – 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 employees are eligible for participation. No contributions are made by the Institute to the plan.

NOTE 11 – Commitments

The Institute has entered into agreements to lease office equipment. The future minimum lease payments required under these operating leases as of December 31, 2015 are as follows:

2016	\$	2,628
2017		<u>1,314</u>
	\$	<u><u>3,942</u></u>

Rent expense totaled \$3,934 and \$4,691 for the years ended December 31, 2015 and 2014, respectively.

NOTE 12 – 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.

CLARE BOOTHE LUCE POLICY INSTITUTE

Schedule of Functional Expenses
For the Year Ended December 31, 2015

	Program Services				Total Program Services	General and Administrative		Fundraising	2015 Total
	Public Information	Special Projects							
Accounting and legal	\$ -	\$ -				\$ 39,230	\$ -	\$ 39,230	
Advertising and marketing	5,690	323	6,013			-	-	6,013	
Bank charges	-	-	-			4,642	-	4,642	
Board meetings	-	-	-			5,626	-	5,626	
Calendars	-	50,589	50,589			-	-	50,589	
Conferences	-	143,667	143,667			-	-	143,667	
Consultants	-	-	-			892	-	892	
Depreciation and amortization	6,856	6,856	13,712			7,998	6,856	28,566	
Direct mail	123,353	-	123,353			-	-	123,353	
Equipment	2,182	-	2,182			3,778	-	5,960	
Fees	-	-	-			5,024	-	5,024	
Films, books and literature	2,751	-	2,751			-	-	2,751	
Honorariums	500	11,161	11,661			-	-	11,661	
House file mailings	19,695	-	19,695			-	6,565	26,260	
Insurance	-	-	-			14,998	-	14,998	
Interest expense	-	-	-			7,758	-	7,758	
Internships	-	4,259	4,259			-	-	4,259	
Meals and entertainment	676	635	1,311			204	-	1,515	
Newsletters	5,083	-	5,083			-	-	5,083	
Payroll	293,396	205,688	499,084			75,494	37,454	612,032	
Payroll taxes	18,645	14,371	33,016			5,112	2,485	40,613	
Personal property tax	321	-	321			1,554	-	1,875	
Photography	4,791	-	4,791			-	-	4,791	
Postage, shipping and delivery	13,664	800	14,464			3,619	5,076	23,159	
Printing	201	155	356			3,355	-	3,711	
Public relations	4,391	8	4,399			115	-	4,514	
Real estate tax	-	-	-			11,358	-	11,358	
Rent and occupancy	1,109	2,088	3,197			21,790	-	24,987	
Software	-	-	-			45	6,933	6,978	
Supplies and miscellaneous	362	300	662			9,553	119	10,334	
Survey and research	1,932	-	1,932			59	-	1,991	
Technology	21,224	-	21,224			8,317	-	29,541	
Telecommunications	3,439	-	3,439			-	94	3,533	
Travel	20,217	5,688	25,905			1,379	534	27,818	
	\$ 550,478	\$ 446,588	\$ 997,066			\$ 231,900	\$ 66,116	\$ 1,295,082	

See independent auditors' report.

CLARE BOOTHE LUCE POLICY INSTITUTE

Schedule of Functional Expenses
For the Year Ended December 31, 2014

	Program Services				Total	General and Administrative	Fundraising	2014 Total
	Public Information	Special Projects	Program Services					
Accounting and legal	\$ -	\$ -	\$ -	\$ -	\$ 43,885	\$ -	\$ 43,885	
Advertising and marketing	1,922	-	1,922	-	-	-	1,922	
Bank charges	-	437	437	-	4,775	-	5,212	
Board meetings	-	-	-	-	2,298	-	2,298	
Calendars	-	85,442	85,442	-	-	3,329	88,771	
Conferences	7,543	94,545	102,088	-	-	-	102,088	
Consultants	1,280	447	1,727	2,887	433	433	5,047	
Depreciation and amortization	6,658	6,658	13,316	6,658	6,658	6,658	26,632	
Direct mail	88,754	-	88,754	-	-	16,280	105,034	
Equipment	5,619	1,722	7,341	2,923	1,670	1,670	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	51,678	
Insurance	3,308	3,308	6,616	3,308	3,308	3,308	13,232	
Interest expense	2,155	2,155	4,310	798	798	2,155	7,263	
Internships	2,575	17,295	19,870	-	-	-	19,870	
Meals and entertainment	836	-	836	-	-	-	836	
Newsletters	13,143	-	13,143	-	-	914	14,057	
Payroll	246,583	240,651	487,234	75,177	-	38,009	600,420	
Payroll taxes	15,366	16,940	32,306	5,460	-	2,326	40,092	
Personal property tax	582	582	1,164	582	-	582	2,328	
Photography	174	4,480	4,654	-	-	-	4,654	
Postage, shipping and delivery	6,812	91	6,903	1,301	-	4,683	12,887	
Printing	5,184	175	5,359	481	-	-	5,840	
Public relations	823	-	823	328	-	272	1,423	
Real estate tax	3,024	3,024	6,048	3,023	-	3,024	12,095	
Rent and occupancy	5,077	5,754	10,831	4,720	-	4,203	19,754	
Software	-	-	-	60	-	-	60	
Supplies and miscellaneous	3,260	902	4,162	6,129	-	197	10,488	
Survey and research	-	9,400	9,400	-	-	-	9,400	
Technology	10,265	821	11,086	466	-	2,181	13,733	
Telecommunications	4,471	-	4,471	147	-	-	4,618	
Travel	20,414	9,014	29,428	-	-	1,487	30,915	
	\$ 500,868	\$ 537,599	\$ 1,038,467	\$ 165,682	\$ 98,475	\$ -	\$ 1,302,624	

See independent auditors' report.