



FITZGERALD, SNYDER & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## **Clare Boothe Luce Policy Institute**

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Financial Statements  
For the Years Ended  
December 31, 2007 and 2006  
With Independent Auditors' Report



**Clare Boothe Luce Policy Institute**  
**Financial Statements**  
**For the Years Ended December 31, 2007 and 2006**  
**With Independent Auditors' Report**

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## INDEPENDENT AUDITORS' REPORT

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TO THE 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, 2007 and 2006, and the related statements of activities, functional expenses 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2007 and 2006, 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.

*Fitzgerald, Snyder & Co., P.C.*

McLean, Virginia  
June 5, 2008



## Clare Boothe Luce Policy Institute

### Statements of Financial Position

December 31, 2007 and 2006

	2007	2006
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 558,139	\$ 305,582
Investments	132,487	53,710
Receivables, net	145,451	79,718
Total current assets	<u>836,077</u>	<u>439,010</u>
PROPERTY, BUILDING & EQUIPMENT, net	760,722	770,146
OTHER ASSETS	<u>742</u>	<u>11,260</u>
	<u>\$ 1,597,541</u>	<u>\$ 1,220,416</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 19,565	\$ 4,837
Current portion of gift annuity liability	1,811	671
Current portion of notes payable	214,961	8,104
Total current liabilities	<u>236,337</u>	<u>13,612</u>
GIFT ANNUITY LIABILITY	40,823	19,181
NOTES PAYABLE	-	214,730
Total liabilities	<u>277,160</u>	<u>247,523</u>
NET ASSETS:		
Unrestricted	1,060,085	831,302
Temporarily restricted	260,296	141,591
Total net assets	<u>1,320,381</u>	<u>972,893</u>
	<u>\$ 1,597,541</u>	<u>\$ 1,220,416</u>



**Clare Boothe Luce Policy Institute**  
**Statements of Activities**  
**For the Years Ended December 31, 2007 and 2006**

	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 1,355,797	\$ 40,000	\$ 1,395,797	\$ 1,193,353	\$ 126,218	\$ 1,319,571
Grants	152,500	248,579	401,079	114,000	22,500	136,500
Gift annuities	26,548	-	26,548	19,219	-	19,219
Contributed investments	9,445	-	9,445	19,253	-	19,253
List rental income	34,546	-	34,546	16,752	-	16,752
Honorarium contributions	-	12,465	12,465	-	89,000	89,000
Book and tape sales	80	-	80	1,234	-	1,234
Interest income	14,822	-	14,822	734	-	734
Unrealized/realized investment gain (loss)	(2,032)	-	(2,032)	2,673	-	2,673
Other income	(127)	-	(127)	373	-	373
Net assets released from restrictions	182,339	(182,339)	-	266,470	(266,470)	-
Total support and revenue	<u>1,773,918</u>	<u>118,705</u>	<u>1,892,623</u>	<u>1,634,061</u>	<u>(28,752)</u>	<u>1,605,309</u>
<b>EXPENSES:</b>						
Program services:						
Public information	720,311	-	720,311	639,219	-	639,219
Special projects	437,923	-	437,923	419,125	-	419,125
Total program services	<u>1,158,234</u>	<u>-</u>	<u>1,158,234</u>	<u>1,058,344</u>	<u>-</u>	<u>1,058,344</u>
Supporting services:						
Fundraising	214,293	-	214,293	247,014	-	247,014
Management and general	167,006	-	167,006	138,469	-	138,469
Total expenses	<u>1,539,533</u>	<u>-</u>	<u>1,539,533</u>	<u>1,443,827</u>	<u>-</u>	<u>1,443,827</u>
Changes in net assets from operations	234,385	118,705	353,090	190,234	(28,752)	161,482
Change in value of annuities	(5,602)	-	(5,602)	(775)	-	(775)
<b>CHANGE IN NET ASSETS</b>	<u>228,783</u>	<u>118,705</u>	<u>347,488</u>	<u>189,459</u>	<u>(28,752)</u>	<u>160,707</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>831,302</u>	<u>141,591</u>	<u>972,893</u>	<u>641,843</u>	<u>170,343</u>	<u>812,186</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,060,085</u>	<u>\$ 260,296</u>	<u>\$ 1,320,381</u>	<u>\$ 831,302</u>	<u>\$ 141,591</u>	<u>\$ 972,893</u>

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



**Clare Boothe Luce Policy Institute**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2007**

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Public Information	Special Projects			Fund-raising	Management & General		
Accounting and legal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,476	\$ 20,476
Advertising	209	193	402	55	94	149	551	551
Bank charges	-	-	-	-	6,744	6,744	6,744	6,744
Board meetings	-	-	-	-	4,889	4,889	4,889	4,889
Computer and website services	17,024	2,617	19,641	748	1,271	2,019	21,660	21,660
Conferences	-	45,849	45,849	-	-	-	45,849	45,849
Consultants	21,081	51,510	72,591	533	2,075	2,608	75,199	75,199
Depreciation and amortization	21,012	19,353	40,365	5,529	9,400	14,929	55,294	55,294
Direct mail	255,703	-	255,703	99,145	-	99,145	354,848	354,848
Dues and subscriptions	2,594	-	2,594	-	-	-	2,594	2,594
Equipment	1,574	1,450	3,024	414	704	1,118	4,142	4,142
Fees	2,150	1,980	4,130	566	962	1,528	5,658	5,658
Films, books and literature	22,901	94	22,995	-	-	-	22,995	22,995
Honorariums	-	21,500	21,500	-	-	-	21,500	21,500
House file mailings	59,274	-	59,274	26,880	-	26,880	86,154	86,154
Insurance	5,507	5,072	10,579	1,449	2,463	3,912	14,491	14,491
Interest	5,231	4,818	10,049	1,377	2,340	3,717	13,766	13,766
List rental	-	-	-	-	642	642	642	642
Newsletters	41,308	-	41,308	1,138	-	1,138	42,446	42,446
Payroll	196,716	181,186	377,902	51,767	88,004	139,771	517,673	517,673
Payroll taxes	13,513	12,446	25,959	3,556	6,045	9,601	35,560	35,560
Photography	-	8,158	8,158	-	-	-	8,158	8,158
Postage	11,623	22	11,645	2,295	3,057	5,352	16,997	16,997
Printing	-	20,517	20,517	-	-	-	20,517	20,517
Public relations	2,700	2,487	5,187	711	1,208	1,919	7,106	7,106
Real estate tax	4,765	4,389	9,154	1,254	2,132	3,386	12,540	12,540
Rent and occupancy	8,653	7,970	16,623	2,277	3,871	6,148	22,771	22,771
Scholarships	-	16,000	16,000	-	-	-	16,000	16,000
Shipping and delivery	1,903	63	1,966	22	127	149	2,115	2,115
Software	806	743	1,549	212	361	573	2,122	2,122
Supplies and miscellaneous	5,763	5,308	11,071	1,517	6,593	8,110	19,181	19,181
Telecommunications	13,828	184	14,012	231	730	961	14,973	14,973
Transcriptions	-	-	-	-	715	715	715	715
Travel	4,473	24,014	28,487	12,617	2,103	14,720	43,207	43,207
	\$ 720,311	\$ 437,923	\$ 1,158,234	\$ 214,293	\$ 167,006	\$ 381,299	\$ 1,539,533	\$ 1,539,533

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



**Clare Boothe Luce Policy Institute**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2006**

	Program Services			Supporting Services			Total Expenses
	Public Information	Special Projects	Total Program Services	Fund-raising	Management & General	Total Supporting Services	
Accounting and legal	\$ -	\$ -	\$ -	\$ -	\$ 16,040	\$ 16,040	\$ 16,040
Advertising	77	91	168	31	41	72	240
Bank charges	1,269	1,507	2,776	515	674	1,189	3,965
Board meetings	-	-	-	-	5,691	5,691	5,691
Computer and website services	47,417	709	48,126	243	317	560	48,686
Conferences	-	38,062	38,062	-	-	-	38,062
Consultants	1,200	1,115	2,315	612	594	1,206	3,521
Depreciation and amortization	16,327	19,389	35,716	6,633	8,674	15,307	51,023
Direct mail	296,590	-	296,590	117,007	-	117,007	413,597
Dues and subscriptions	2,023	-	2,023	-	-	-	2,023
Equipment	1,881	2,233	4,114	764	999	1,763	5,877
Fees	787	934	1,721	320	418	738	2,459
Films, books and literature	12,005	273	12,278	-	-	-	12,278
Honorariums	-	79,500	79,500	-	-	-	79,500
House file mailings	35,000	-	35,000	30,067	-	30,067	65,067
Insurance	1,213	1,441	2,654	493	645	1,138	3,792
Interest	5,436	6,455	11,891	2,208	2,887	5,095	16,986
List rental	-	-	-	-	164	164	164
Newsletters	17,732	-	17,732	2,860	-	2,860	20,592
Payroll	150,084	178,225	328,309	60,972	79,733	140,705	469,014
Payroll taxes	10,509	12,479	22,988	4,269	5,583	9,852	32,840
Photography	-	4,988	4,988	-	-	-	4,988
Postage	8,751	3,365	12,116	900	1,167	2,067	14,183
Printing	-	11,853	11,853	-	-	-	11,853
Public relations	1,379	1,638	3,017	560	733	1,293	4,310
Real estate tax	4,127	4,901	9,028	1,677	2,192	3,869	12,897
Rent and occupancy	8,051	9,560	17,611	3,271	4,276	7,547	25,158
Scholarships	-	20,000	20,000	-	-	-	20,000
Shipping and delivery	1,741	-	1,741	33	29	62	1,803
Software	927	1,101	2,028	377	493	870	2,898
Supplies and miscellaneous	2,787	3,341	6,128	1,132	4,226	5,358	11,486
Telecommunications	9,994	64	10,058	124	500	624	10,682
Travel	1,912	15,901	17,813	11,946	2,393	14,339	32,152
	\$ 639,219	\$ 419,125	\$ 1,058,344	\$ 247,014	\$ 138,469	\$ 385,483	\$ 1,443,827

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, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 347,488	\$ 160,707
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	55,294	51,023
Loss on disposal of assets	509	-
Contributed investments	(9,445)	(19,253)
Unrealized/realized (gain) loss on marketable securities	2,032	(2,673)
Change in value of annuity liability	5,602	775
Change in unamortized discount on grant	16,421	-
Changes in assets and liabilities affecting operations:		
Receivables	(82,154)	(14,103)
Other assets	10,518	455
Accounts payable and accrued expenses	14,728	(10,964)
Net cash provided by operating activities	<u>360,993</u>	<u>165,967</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale of investments	24,247	11,137
Purchase of investments	(95,611)	(40,386)
Purchase of property and equipment	(46,379)	(22,890)
Net cash used in investing activities	<u>(117,743)</u>	<u>(52,139)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayments of notes payable	(7,873)	(52,263)
Proceeds from annuities issued	23,452	20,781
Payments on annuities	(6,272)	(1,704)
Net cash provided by (used in) financing activities	<u>9,307</u>	<u>(33,186)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>252,557</b>	<b>80,642</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>305,582</u></b>	<b><u>224,940</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ <u>558,139</u></b>	<b>\$ <u>305,582</u></b>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Interest paid during the year	<u>\$ 13,766</u>	<u>\$ 16,986</u>





## Clare Boothe Luce Policy Institute

### Notes to Financial Statements

December 31, 2007 and 2006

#### A. 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.

#### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of accounting** - The financial statements of the Institute have been prepared on the accrual basis of accounting. Under this basis, revenue is recognized when earned and expenses are recognized as incurred.

**Use of estimates and assumptions** - Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**Financial statement presentation** - The Institute reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. As of December 31, 2007 and 2006, the Institute had \$260,296 and \$141,591 in temporarily restricted net assets, respectively, and no permanently restricted net assets.

**Contributions** - Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any restrictions. The Institute reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. 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.

**Cash and cash equivalents** - For purposes of the statement of cash flows, the Institute considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**Investments** - Investments are reported at market value based on published market prices, and 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  
 December 31, 2007 and 2006

### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Property and equipment** - Property and equipment is stated at cost and is depreciated using the straight-line method over an estimated useful life of three to five years for equipment and thirty to forty years for property. Property and equipment additions and improvements acquired at a cost greater than \$500 are capitalized.

**Advertising costs** - Advertising costs are expensed as incurred. For the years ended December 31, 2007 and 2006, advertising costs totaled \$551 and \$240, respectively.

**Costs of joint activities** - Statement of Position 98-2, "Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fundraising", establishes accounting standards for recording costs associated with joint activities (activities which are part fundraising and have elements of one or more other functions, such as program or management and general). The pronouncement requires that the criteria of purpose, audience and content be met in order to allocate any portion of the costs of joint activities to a functional area other than fundraising.

**Functional allocation of expenses** - The Institute's expenses have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the areas benefited.

**Income taxes** - The Internal Revenue Service has recognized the Institute as a Section 501(c)(3) organization exempt from income tax under Section 501(a) of the Internal Revenue Code and applicable income tax regulations of the Commonwealth of Virginia.

### C. INVESTMENTS

Investments at December 31, 2007 and 2006, consisted of the following:

	2007	2006
Stock and stock mutual funds	\$ 92,487	\$ 53,710
Certificate of deposit	40,000	-
	<u>\$ 132,487</u>	<u>\$ 53,710</u>

For the years ended December 31, 2007 and 2006, investment return consisted of \$(2,032) and \$2,673, respectively, of net realized and unrealized gains/(losses) related to investment activity.

### D. RECEIVABLES

Receivables at December 31, 2007 and 2006, consisted of the following:

	2007	2006
Contributions receivable	\$ 160,000	\$ 79,718
Interest receivable	1,872	-
	<u>161,872</u>	<u>79,718</u>
Less: discount on contributions receivable	(16,421)	-
Total receivables	<u>\$ 145,451</u>	<u>\$ 79,718</u>



## Clare Boothe Luce Policy Institute

Notes to Financial Statements  
 December 31, 2007 and 2006

### D. RECEIVABLES (continued)

Interest receivable is expected to be received within one year and is recorded at net realizable value. Contributions receivable is expected to be received over the next 5 years and a discount has been recorded. Since uncollectible contributions receivable are considered to be insignificant, an allowance is not considered necessary.

### E. PROPERTY, BUILDING AND EQUIPMENT

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

	2007	2006
Land	\$ 87,085	\$ 87,085
Buildings and improvements	706,286	700,097
Furniture and fixtures	142,968	140,904
Machinery and equipment	99,779	91,818
Software	12,653	-
	<u>1,048,771</u>	<u>1,019,904</u>
Less: accumulated depreciation	<u>(288,049)</u>	<u>(249,758)</u>
	<u>\$ 760,722</u>	<u>\$ 770,146</u>

Depreciation expense for the years ended December 31, 2007 and 2006, was \$55,294 and \$51,023, respectively.

### F. NOTES PAYABLE

Outstanding notes payable are as follows at December 31:

	2007	2006
\$250,000 construction note payable commencing on September 6, 2002. During the period of construction the note shall be payable in monthly installments of interest only. The term note is payable in monthly installments of principal and interest of \$1,907 for 59 months at an interest rate of 7.75%. The remaining balance is payable on March 6, 2008. This note was refinanced in March 2008. See Note L for more information.	<u>\$ 214,961</u>	<u>\$ 222,834</u>
	214,961	222,834
Less: current portion	<u>(214,961)</u>	<u>(8,104)</u>
	<u>\$ -</u>	<u>\$ 214,730</u>



## Clare Boothe Luce Policy Institute

Notes to Financial Statements  
December 31, 2007 and 2006

### G. TEMPORARILY RESTRICTED NET ASSETS

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

	2007	2006
Calendar project	\$ -	\$ 6,833
Honorariums	465	9,500
Internships	181,989	-
Mentoring	62,842	38,014
Mid-America Conference	15,000	-
Technology	-	7,526
Time restricted	-	79,718
Total	\$ <u>260,296</u>	\$ <u>141,591</u>

### H. NET ASSETS RELEASED FROM RESTRICTIONS

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:

	2007	2006
Calendar	\$ 6,833	\$ 23,167
Choice scholarships/school choice	30,000	15,000
Honorariums	21,500	79,500
Internships	26,590	15,000
Mentoring	10,172	5,730
Speaking engagements	-	1,500
Technology	7,526	60,958
Time restricted	79,718	65,615
Total	\$ <u>182,339</u>	\$ <u>266,470</u>

### I. 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, however, no contributions are made by the Institute to the plan.



## Clare Boothe Luce Policy Institute

### Notes to Financial Statements

December 31, 2007 and 2006

#### J. ALLOCATION OF JOINT COSTS

During 2007 and 2006, the Institute incurred joint costs of \$483,448 and \$499,256, respectively for informational materials primarily related to direct mail, house file mailings and newsletters that included fundraising appeals. Pursuant to SOP 98-2 (see Note B) these costs were allocated to the functional areas as follows for the years ended December 31:

Program	2007	2006
Fundraising	\$ 356,279	\$ 349,323
	<u>127,169</u>	<u>149,933</u>
	\$ <u>483,448</u>	\$ <u>499,256</u>

#### K. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Institute to concentrations of credit risk consist primarily of cash. The Institute maintains its cash accounts in commercial banks which management and the Board consider to be financially sound. Cash balances are insured by the Federal Deposit Insurance Corporation up to \$100,000 per financial institution. At December 31, 2007 and 2006, uninsured balances totaled approximately \$484,000 and \$215,000, respectively.

Included in 2007 revenue is a contribution for \$200,000 which comprised 10% of total revenue. No similar concentration existed during 2006. Current year accounts receivable is comprised of one receivable totaling 99% of total receivables; prior year accounts receivable is comprised of one receivable totaling 100%.

#### L. SUBSEQUENT EVENT

In March 2008, the Organization refinanced their mortgage of \$214,304. The note is payable in monthly installments of principal and interest of \$1,849 for 180 months at an interest rate of 6.25%. The remaining balance is payable on March 6, 2023.