

CLARE BOOTHE LUCE POLICY INSTITUTE
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2011 AND 2010



Clare Boothe Luce Policy Institute

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Independent Auditor's Report

Board of Directors
Clare Boothe Luce Policy Institute
Herndon, Virginia

We have audited the accompanying Statements of Financial Position of **Clare Boothe Luce Policy Institute** (the "Institute") as of December 31, 2011 and 2010, and the related Statements of Activities and Changes in Net Assets and Cash Flows for the years then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Clare Boothe Luce Policy Institute's** internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Clare Boothe Luce Policy Institute** as of December 31, 2011 and 2010, and the change in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Aronson LLC

Rockville, Maryland
April 19, 2012

Clare Boothe Luce Policy Institute

Statements of Financial Position

<i>December 31,</i>	2011	2010
Assets		
Current assets		
Cash and cash equivalents	\$ 59,636	\$ 284,841
Investments	156,450	101,588
Current portion of receivables	25,000	57,000
Total current assets	241,086	443,429
Receivables, net of current portion	48,009	78,760
Property and equipment, net	593,800	623,640
Other assets	742	742
Beneficial interest in trusts	171,833	94,983
Cash and investments held for long term purpose	200,000	160,000
Total assets	\$ 1,255,470	\$ 1,401,554
Liabilities and Net Assets		
Current liabilities		
Current portion of note payable	\$ 11,427	\$ 10,737
Accounts payable and accrued expenses	6,757	10,598
Current portion of gift annuities payable	4,758	4,307
Total current liabilities	22,942	25,642
Gift annuities payable, net of current portion	35,219	37,057
Note payable, net of current portion	155,581	176,993
Total liabilities	213,742	239,692
Net assets		
Unrestricted	567,710	726,589
Temporarily restricted	274,018	235,947
Permanently restricted	200,000	199,326
Total net assets	1,041,728	1,161,862
Total liabilities and net assets	\$ 1,255,470	\$ 1,401,554

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, 2011</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Contributions	\$ 854,315	\$ 145,910	\$ 674	\$ 1,000,899
Grants	99,100	15,000	-	114,100
Gift annuities	1,866	-	-	1,866
Contributed investments	26,668	-	-	26,668
List rental income	52,723	-	-	52,723
Honorarium contributions	-	24,170	-	24,170
Interest income	2,600	4,825	-	7,425
Net gain (loss) on investments	3,049	(3,599)	-	(550)
Other income	9,823	-	-	9,823
Net assets released from restrictions	138,750	(138,750)	-	-
Total support and revenue	1,188,894	47,556	674	1,237,124
Expenses				
Program services				
Public information	496,197	-	-	496,197
Special projects	439,393	-	-	439,393
Total program services	935,590	-	-	935,590
Supporting services				
Fundraising	201,257	-	-	201,257
Management and general	209,067	-	-	209,067
Total expenses	1,345,914	-	-	1,345,914
Changes in net assets from operations	(157,020)	47,556	674	(108,790)
Changes in value of trusts	-	(9,485)	-	(9,485)
Changes in value of annuities	(1,859)	-	-	(1,859)
Changes in net assets	(158,879)	38,071	674	(120,134)
Net assets, beginning of year	726,589	235,947	199,326	1,161,862
Net assets, end of year	\$ 567,710	\$ 274,018	\$ 200,000	\$ 1,041,728

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, 2010</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Contributions	\$ 1,194,594	\$ 218,717	\$ 4,002	\$ 1,417,313
Grants	114,500	5,000	-	119,500
Gift annuities	19,423	-	-	19,423
Contributed investments	30,095	-	-	30,095
List rental income	52,512	-	-	52,512
Honorarium contributions	-	49,495	-	49,495
Interest income	2,358	2,913	-	5,271
Net gain on investments	17,496	-	-	17,496
Other income	47	-	-	47
Net assets released from restrictions	122,435	(122,435)	-	-
Total support and revenue	1,553,460	153,690	4,002	1,711,152
Expenses				
Program services				
Public information	748,476	-	-	748,476
Special projects	466,600	-	-	466,600
Total program services	1,215,076	-	-	1,215,076
Supporting services				
Fundraising	276,788	-	-	276,788
Management and general	178,155	-	-	178,155
Total expenses	1,670,019	-	-	1,670,019
Changes in net assets from operations	(116,559)	153,690	4,002	41,133
Changes in value of annuities	35,128	-	-	35,128
Changes in net assets	(81,431)	153,690	4,002	76,261
Net assets, beginning of year	808,020	82,257	195,324	1,085,601
Net assets, end of year	\$ 726,589	\$ 235,947	\$ 199,326	\$ 1,161,862

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>	2011	2010
Cash flows from operating activities		
Changes in net assets	\$ (120,134)	\$ 76,261
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Depreciation and amortization	32,726	40,080
Contributed investments	(26,668)	(30,095)
Unrealized and realized loss (gains) on investments	550	(17,496)
Change in value of annuities	1,859	(35,128)
Change in present value discount on receivables	(2,249)	(436)
Change in beneficial interest in trusts	(76,850)	(94,983)
(Increase) decrease in:		
Receivables	25,000	(80,000)
(Decrease) increase in:		
Accounts payable and accrued expenses	(3,841)	(6,276)
Net cash used by operating activities	(169,607)	(148,073)
Cash flows from investing activities		
Sale of investments	150,667	113,372
Purchase of investments	(219,411)	(54,539)
Purchase of property, building and equipment	(2,886)	(4,672)
Net cash (used) provided by investing activities	(71,630)	54,161
Cash flows from financing activities		
Payments on notes payable	(20,722)	(9,950)
Receipt of permanently restricted receivables	40,000	40,000
Proceeds from gift annuities received	3,134	30,577
Payments on gift annuities	(6,380)	(11,895)
Net cash provided by financing activities	16,032	48,732
Net change in cash and cash equivalents	(225,205)	(45,180)
Cash and cash equivalents, beginning of year	284,841	330,021
Cash and cash equivalents, end of year	\$ 59,636	\$ 284,841
Supplemental disclosures		
Interest paid during the year	\$ 11,464	\$ 12,236

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

Clare Boothe Luce Policy Institute

Notes to Financial Statements

1. Organization and summary of significant accounting policies

Organization: Clare Boothe Luce Policy Institute (the "Institute") is a not-for-profit organization established in May 1993. The Institute prepares young women for effective conservative leadership and promotes school choice opportunities for all kindergarten through twelfth grade children in America. The Institute is located in Herndon, Virginia.

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

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

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

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

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that will be met either by actions of the Institute and/or the passage of time.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Institute. The Institute may use all or part of the income earned on these assets for general or specific purpose. At December 31, 2011 and 2010, the Institute had \$200,000 and \$199,326, respectively, in permanently restricted net assets of which the proceeds earned are restricted for the internship program. This donation was a pledge given in 2007 to be paid over six years. As of December 31, 2011, the pledge has been fully paid.

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

Clare Boothe Luce Policy Institute

Notes to Financial Statements

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

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

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

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

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.

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 present value of their estimated future cash flows. The discounts on those amounts for pledges made prior to January 1, 2009, are computed using a risk free interest rate ranging from 2.31% - 4.5%. The discounts on those amounts for pledges made after January 1, 2009, are computed using a risk free interest rate of 1.14% plus an added rate of risk adjustment of 0.5%. Amortization of the discount is included in contribution revenue. No allowance for receivables has been recorded as management believes all promises are fully collectible.

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

Clare Boothe Luce Policy Institute

Notes to Financial Statements

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

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.

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 present value of their 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 included in trust revenue.

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

Revenue recognition:

Contributions and grants: The Institute recognizes all contributions and grants received as income in the period received or pledged. Contributions and grants are reported as unrestricted, temporarily restricted, or permanently restricted depending on the absence or existence of donor stipulations that limit the use of the contributions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

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

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

Clare Boothe Luce Policy Institute

Notes to Financial Statements

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

Advertising costs: The Institute expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2011 and 2010, was \$5,800 and \$10,000, respectively.

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.

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

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

Uncertainty in income taxes: The Institute evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of December 31, 2011 and 2010, there are no accruals for uncertain tax positions. If applicable, the Institute records interest and penalties as a component of income tax expense. Tax years from 2008 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.

Reclassifications: Certain 2010 balances have been reclassified to conform to the 2011 presentation.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through April 19, 2012, which is the date the financial statements are available to be issued.

Clare Boothe Luce Policy Institute

Notes to Financial Statements

2. **Investments** Investments at December 31, 2011 and 2010, consist of the following:

	2011	2010
Certificate of deposit	\$ -	\$ 127,006
Equity securities	70,117	53,846
Fixed income mutual funds	86,533	26,612
International equity mutual funds	9,034	10,808
Large cap equity mutual funds	40,905	43,316
Index mutual funds	109,861	-
Total	\$ 316,450	\$ 261,588

For the years ended December 31, 2011 and 2010, net realized and unrealized (losses) gains related to investment activity were \$(550) and \$17,469, respectively.

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

Fair Value Measurements at Reporting Date Using:

December 31, 2011	Total	Level 1	Level 2
Investments:			
Equity securities	\$ 70,117	\$ 70,117	\$ -
Fixed income mutual funds	86,533	86,533	-
International equity mutual funds	9,034	9,034	-
Large cap equity mutual funds	40,905	40,905	-
Index mutual funds	109,861	109,861	-
Total investments	\$ 316,450	\$ 316,450	\$ -
Beneficial interest in trusts	\$ 171,833	\$ -	\$ 171,833
December 31, 2010	Total	Level 1	Level 2
Investments:			
Certificates of deposit	\$ 127,006	\$ -	\$ 127,006
Equity securities	53,846	53,846	-
Fixed income mutual funds	26,612	26,612	-
International equity mutual funds	10,808	10,808	-
Large cap equity mutual funds	43,316	43,316	-
Total investments	\$ 261,588	\$ 134,582	\$ 127,006
Beneficial interest in remainder trust	\$ 94,983	\$ -	\$ 94,983

Clare Boothe Luce Policy Institute

Notes to Financial Statements

- 3. Fair value (continued)** Level 2 beneficial interest in trusts, which are invested in money market funds and mutual funds, is measured at the present value of the future distributions expected to be received over the term of the agreements.

Level 2 certificates of deposit values were developed utilizing the current interest rates for instruments with similar time to maturity, discounting the future payments to present value at December 31, 2010.

- 4. Receivables** Receivables at December 31, 2011 and 2010, consist of the following:

	2011	2010
Contributions receivable	\$ 75,000	\$ 140,000
Less: Discount on contributions receivable	(1,991)	(4,240)
Total receivables	\$ 73,009	\$ 135,760

Contributions receivable as of December 31, 2011, are as follows:

Due in less than one year	\$ 25,000
Due in one to five years	50,000
	75,000
Less: Discount on contributions receivable	(1,991)
Total	\$ 73,009

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

Receivables at December 31, 2011, are comprised of one receivable totaling 100% of total receivables. Two receivables comprised 100% of the total at December 31, 2010.

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

	2011	2010
Remainder trust	\$ 93,374	\$ 94,983
Term trust	78,459	-
Total	\$ 171,833	\$ 94,983

Clare Boothe Luce Policy Institute

Notes to Financial Statements

6. Property, building and equipment

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

	2011	2010
Land	\$ 87,085	\$ 87,085
Buildings and improvements	709,286	709,286
Equipment	106,689	103,803
Furniture and fixtures	145,192	145,192
Software	14,153	14,153
Total	1,062,405	1,059,519
Less: Accumulated depreciation	(468,605)	(435,879)
Total	\$ 593,800	\$ 623,640

Depreciation and amortization expense for the years ended December 31, 2011 and 2010, was \$32,726 and \$40,080, respectively.

7. Note payable

Outstanding note payable are as follows at December 31:

	2011	2010
\$250,000 construction note payable commencing on September 6, 2002. The note was refinanced on March 4, 2008, for \$214,304. The new terms are monthly installments of principal and interest of \$1,849 for 180 months at an interest rate of 6.25%. The note matures on March 6, 2023. The note is secured by the Organization's property.	\$ 167,008	\$ 187,730
Less: Current portion	(11,427)	(10,737)
Total	\$ 155,581	\$ 176,993

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

Year ending December 31:

2012	11,427
2013	12,162
2014	12,945
2015	13,777
2016	14,664
Thereafter	102,033
Total	\$ 167,008

Clare Boothe Luce Policy Institute

Notes to Financial Statements

8. Temporarily restricted net assets

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

	2011	2010
Honorariums	\$ 800	\$ 800
Internships	3,816	9,920
Mentoring	5,292	20,613
Mid-America conference	8,636	8,636
Schlaflly luncheon	2,817	2,817
Sense and sexuality printing	1,744	1,744
Uihlein App Project	6,070	-
Time restricted	244,843	191,417
Total	\$ 274,018	\$ 235,947

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:

	2011	2010
Dr. Keith C Wold Lecture Award	\$ 20,000	\$ 22,500
Honorariums	24,170	49,495
Internships	7,330	11,329
Mentoring	20,320	19,111
Debt reduction	10,000	-
Uihlein App Project	31,930	-
Time restricted	25,000	20,000
Total	\$ 138,750	\$ 122,435

9. Endowment funds

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

Clare Boothe Luce Policy Institute

Notes to Financial Statements

9. Endowment funds (continued)

Interpretation of Relevant Law

Management of the Institute has interpreted the Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

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

	2011 Permanently Restricted	2010 Permanently Restricted
Donor-restricted endowment funds	\$ 200,000	\$ 199,326

Clare Boothe Luce Policy Institute

Notes to Financial Statements

9. Endowment funds (continued)

Changes in endowment net assets for the year ended December 31, 2011:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 199,326	\$ 199,326
Change in present value discount on pledge	-	674	674
Investment income			
Interest income	4,825	-	4,825
Net loss (realized and unrealized)	(3,599)	-	(3,599)
Total investment return	1,226	-	1,226
Appropriation of endowment assets for expenditure	(1,226)	-	(1,226)
Endowment net assets, end of year	\$ -	\$ 200,000	\$ 200,000

Changes in endowment net assets for the year ended December 31, 2010:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 195,324	\$ 195,324
Change in present value discount on pledge	-	4,002	4,002
Investment income	2,913	-	2,913
Appropriation of endowment assets for expenditure	(2,913)	-	(2,913)
Endowment net assets, end of year	\$ -	\$ 199,326	\$ 199,326

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

	2011	2010
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	\$ 200,000	\$ 199,326

Clare Boothe Luce Policy Institute

Notes to Financial Statements

9. Endowment funds (continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2011 and 2010.

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.

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 full-time employees are eligible for participation six months after employment begins. No contributions are made by the Institute to the plan.

Clare Boothe Luce Policy Institute

Notes to Financial Statements

11. Allocation of joint costs

During 2011 and 2010, the Institute incurred joint costs of \$292,532 and \$621,969, 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:

	2011	2010
Program	\$ 212,029	\$ 452,759
Fundraising	80,503	169,210
Total	\$ 292,532	\$ 621,969

12. Commitments

The Institute has entered into agreements to lease office equipment. These leases are treated as operating leases in the financial statements. The future minimum lease payments required under these leases as of December 31, 2011, are as follows:

2012	\$ 1,352
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Rent expense for 2011 and 2010 was \$2,407 and \$10,477, respectively.



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Independent Auditor's Report on Supplementary Information

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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, 2011 and 2010, and our report thereon dated April 19, 2012, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Functional Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Aronson LLC
Rockville, Maryland
April 19, 2012

Clare Boothe Luce Policy Institute

Schedule of Functional Expenses

Year Ended December 31, 2011

	Program Services			Supporting Services			
	Public Information	Special Projects	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses
Accounting and legal	\$ -	\$ -	\$ -	\$ -	\$ 65,429	\$ 65,429	\$ 65,429
Advertising and marketing	4,500	300	4,800	1,000	-	1,000	5,800
Bank charges	-	-	-	-	5,439	5,439	5,439
Board meetings	-	-	-	-	6,322	6,322	6,322
Computer and website services	6,407	12,718	19,125	1,006	2,273	3,279	22,404
Conferences	162	91,402	91,564	1,605	-	1,605	93,169
Consultants	-	2,320	2,320	-	422	422	2,742
Depreciation and amortization	11,793	10,751	22,544	4,795	5,387	10,182	32,726
Direct mail	138,563	-	138,563	48,482	-	48,482	187,045
Equipment	2,418	140	2,558	-	259	259	2,817
Fees	-	2	2	-	3,078	3,078	3,080
Films, books and literature	6,436	590	7,026	170	34	204	7,230
Honorariums	-	36,500	36,500	-	-	-	36,500
House file mailings	36,203	28,093	64,296	31,410	-	31,410	95,706
Insurance	4,765	4,343	9,108	1,937	2,176	4,113	13,221
Interest	4,132	3,766	7,898	1,679	1,887	3,566	11,464
Internships	-	1,728	1,728	-	-	-	1,728
Newsletters	9,170	-	9,170	611	-	611	9,781
Payroll	211,987	193,223	405,210	86,171	96,818	182,989	588,199
Payroll taxes	14,056	12,812	26,868	5,714	6,420	12,134	39,002
Personal property tax	728	664	1,392	296	332	628	2,020
Photography	53	3,454	3,507	-	-	-	3,507
Postage	6,932	976	7,908	1,337	2,060	3,397	11,305
Printing	9,023	2,283	11,306	10	282	292	11,598
Public relations	-	768	768	543	169	712	1,480
Real estate tax	4,060	3,700	7,760	1,650	1,854	3,504	11,264
Rent and occupancy	9,228	8,431	17,659	3,882	4,334	8,216	25,875
Shipping and delivery	2,905	117	3,022	-	-	-	3,022
Software	1,015	925	1,940	413	464	877	2,817
Supplies and miscellaneous	2,289	406	2,695	176	1,647	1,823	4,518
Telecommunications	4,666	-	4,666	-	-	-	4,666
Travel	4,706	18,981	23,687	8,370	1,981	10,351	34,038
Total	\$ 496,197	\$ 439,393	\$ 935,590	\$ 201,257	\$ 209,067	\$ 410,324	\$ 1,345,914

Refer to Independent Auditor's Report on Supplementary Information.

Clare Boothe Luce Policy Institute

Schedule of Functional Expenses

Year Ended December 31, 2010

	Program Services			Supporting Services			Total Expenses
	Public Information	Special Projects	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Accounting and legal	\$ -	\$ -	\$ -	\$ -	\$ 35,640	\$ 35,640	\$ 35,640
Advertising and marketing	9,754	10,150	19,904	3,059	-	3,059	22,963
Bank charges	-	-	-	-	5,678	5,678	5,678
Board meetings	-	-	-	-	1,292	1,292	1,292
Computer and website services	9,055	1,969	11,024	1,932	2,874	4,806	15,830
Conferences	225	73,924	74,149	3,611	-	3,611	77,760
Consultants	2,894	2,121	5,015	7,578	1,104	8,682	13,697
Depreciation and amortization	15,631	12,826	28,457	4,810	6,813	11,623	40,080
Direct mail	355,829	-	355,829	136,463	-	136,463	492,292
Equipment	3,121	898	4,019	61	475	536	4,555
Fees	974	15	989	208	2,928	3,136	4,125
Films, books and literature	2,116	210	2,326	29	-	29	2,355
Honorariums	-	78,500	78,500	-	-	-	78,500
House file mailings	51,348	27,817	79,165	32,007	-	32,007	111,172
Insurance	5,237	4,297	9,534	1,611	2,283	3,894	13,428
Interest	4,772	3,916	8,688	1,468	2,080	3,548	12,236
Internships	-	1,340	1,340	-	-	-	1,340
Newsletters	17,765	-	17,765	740	-	740	18,505
Payroll	213,626	175,283	388,909	65,731	93,119	158,850	547,759
Payroll taxes	14,210	11,659	25,869	4,372	6,194	10,566	36,435
Personal property tax	819	672	1,491	252	357	609	2,100
Personal security services	-	11,826	11,826	-	-	-	11,826
Photography	333	4,580	4,913	-	-	-	4,913
Postage	5,652	2,846	8,498	1,342	3,082	4,424	12,922
Printing	9,876	351	10,227	944	273	1,217	11,444
Public relations	109	66	175	455	48	503	678
Real estate tax	3,989	3,273	7,262	1,227	1,739	2,966	10,228
Rent and occupancy	9,078	7,482	16,560	2,921	4,061	6,982	23,542
Shipping and delivery	2,316	197	2,513	18	-	18	2,531
Software	1,037	851	1,888	319	452	771	2,659
Supplies and miscellaneous	2,084	537	2,621	582	2,021	2,603	5,224
Telecommunications	3,679	-	3,679	382	-	382	4,061
Travel	2,947	28,994	31,941	4,666	5,642	10,308	42,249
Total	\$ 748,476	\$ 466,600	\$ 1,215,076	\$ 276,788	\$ 178,155	\$ 454,943	\$ 1,670,019

Refer to Independent Auditor's Report on Supplementary Information.