



Clare Boothe Luce
CENTER FOR CONSERVATIVE WOMEN

**INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Clare Boothe Luce Center for Conservative Women
Herndon, Virginia

We have audited the accompanying financial statements of Clare Boothe Luce Center for Conservative Women, a nonprofit organization, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clare Boothe Luce Center for Conservative Women as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Burdette Smith & Bish, LLC

Fairfax, Virginia
May 20, 2019

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 728,619	\$ 795,870
Contributions receivable, net	458,648	273,939
Total Current Assets	1,187,267	1,069,809
PROPERTY AND EQUIPMENT, AT COST	1,365,705	1,396,837
Less: accumulated depreciation and amortization	(537,548)	(508,660)
	828,157	888,177
INVESTMENTS	1,318,523	993,722
OTHER ASSETS		
Contributions receivable, net	753,494	807,000
Other assets	5,382	6,797
Beneficial interest in trusts	120,667	136,055
	879,543	949,852
TOTAL ASSETS	\$ 4,213,490	\$ 3,901,560
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 13,313	\$ 38,083
Current portion of note payable	18,413	17,300
Current portion of gift annuities payable	1,604	2,123
Current portion of capital lease payable	2,143	1,960
Total Current Liabilities	35,473	59,466
LONG-TERM LIABILITIES		
Note payable (net of current portion)	48,029	66,518
Gift annuities payable (net of current portion)	12,857	14,461
Capital lease payable (net of current portion)	3,012	5,155
	63,898	86,134
NET ASSETS		
Without donor restrictions	1,567,122	1,553,569
With donor restrictions	2,546,997	2,202,391
	4,114,119	3,755,960
TOTAL LIABILITIES AND NET ASSETS	\$ 4,213,490	\$ 3,901,560

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

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 975,990	\$ 518,130	\$ 1,494,120
Grants	40,000	-	40,000
Contributed investments	27,264	291,457	318,721
Honorarium contributions	4,613	-	4,613
Investment income	(43,477)	(8,986)	(52,463)
Other income	360	-	360
	<u>1,004,750</u>	<u>800,601</u>	<u>1,805,351</u>
Net assets released from restrictions	440,607	(440,607)	-
	<u>1,445,357</u>	<u>359,994</u>	<u>1,805,351</u>
EXPENSES			
Program services			
Public information	530,139	-	530,139
Special projects	459,299	-	459,299
Total Program Services	989,438	-	989,438
General and administrative	368,089	-	368,089
Fundraising	73,305	-	73,305
	<u>1,430,832</u>	<u>-</u>	<u>1,430,832</u>
CHANGES IN NET ASSETS FROM OPERATIONS			
	<u>14,525</u>	<u>359,994</u>	<u>374,519</u>
CHANGE IN VALUE OF TRUSTS	-	(15,388)	(15,388)
CHANGE IN VALUE OF ANNUITIES	(972)	-	(972)
	<u>(972)</u>	<u>(15,388)</u>	<u>(16,360)</u>
CHANGE IN NET ASSETS	13,553	344,606	358,159
NET ASSETS, BEGINNING OF YEAR	1,553,569	2,202,391	3,755,960
NET ASSETS, END OF YEAR	<u>\$ 1,567,122</u>	<u>\$ 2,546,997</u>	<u>\$ 4,114,119</u>

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

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 1,176,113	\$ 865,749	\$ 2,041,862
Grants	41,500	-	41,500
Contributed investments	43,437	90,361	133,798
Honorarium contributions	1,000	-	1,000
Investment income	89,171	45,564	134,735
Other income	380	-	380
	1,351,601	1,001,674	2,353,275
Net assets released from restrictions	740,574	(740,574)	-
	2,092,175	261,100	2,353,275
EXPENSES			
Program services			
Public information	548,611	-	548,611
Special projects	442,149	-	442,149
Total Program Services	990,760	-	990,760
General and administrative	281,386	-	281,386
Fundraising	79,233	-	79,233
	1,351,379	-	1,351,379
CHANGES IN NET ASSETS FROM OPERATIONS			
	740,796	261,100	1,001,896
CHANGE IN VALUE OF TRUSTS	-	12,293	12,293
CHANGE IN VALUE OF ANNUITIES	(717)	-	(717)
	(717)	12,293	11,576
CHANGE IN NET ASSETS	740,079	273,393	1,013,472
NET ASSETS, BEGINNING OF YEAR	813,490	1,928,998	2,742,488
NET ASSETS, END OF YEAR	\$ 1,553,569	\$ 2,202,391	\$ 3,755,960

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

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 358,159	\$ 1,013,472
Adjustments to reconcile net assets to net cash provided by (used in) operating activities:		
Donated stocks	(318,721)	(133,798)
Depreciation and amortization	32,133	33,816
Change in present value discount on contributions receivable ..	(8,368)	2,404
Change in value of annuities	972	717
Change in beneficial interest in trusts	15,388	(12,293)
(Gain) loss on dispositions	27,887	-
Realized(gain) loss on investments	(518)	(70,049)
Unrealized (gain) loss on investments	79,518	(43,008)
(Increase) decrease in:		
Contributions receivable	(122,835)	52,114
Other assets	1,415	(3,203)
Increase (decrease) in:		
Accounts payable and accrued expenses	(24,770)	22,776
	<u>(317,899)</u>	<u>(150,524)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>40,260</u>	<u>862,948</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash used to purchase property and equipment	-	(389,104)
Cash used to purchase investments	(94,717)	(43,140)
Cash proceeds from sale of investments	9,637	123,363
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(85,080)</u>	<u>(308,881)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(17,376)	(16,312)
Payments on lease obligations	(1,960)	(2,591)
Payments on gift annuities	(3,095)	(3,095)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(22,431)</u>	<u>(21,998)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS ...	(67,251)	532,069
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	795,870	263,801
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>728,619</u>	\$ <u>795,870</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 5,390	\$ 6,618
SUPPLEMENTAL NON-CASH ACTIVITIES		
Donated stocks	\$ 318,721	\$ 133,798

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services		Total Program Services	General and Administrative		Fundraising	Total
	Public Information	Special Projects					
Accounting and legal	\$ -	\$ -	\$ -	\$ 32,774	\$ 570	\$ 33,344	
Advertising and marketing	2,925	26	2,951	5,745	-	8,696	
Bank charges	-	20	20	3,496	-	3,516	
Board meetings	-	-	-	1,487	-	1,487	
Building costs	-	-	-	75,163	-	75,163	
Calendars	-	16,834	16,834	-	273	17,107	
Conferences	-	162,531	162,531	-	3,010	165,541	
Consultants	-	-	-	1,195	373	1,568	
Depreciation and amortization	7,712	7,712	15,424	8,997	7,712	32,133	
Direct mail	83,555	-	83,555	-	-	83,555	
Fees	-	-	-	9,219	-	9,219	
Films, books and literature	52	649	701	-	19	720	
Honorariums	-	59,822	59,822	-	-	59,822	
House file mailings	26,958	-	26,958	-	18,353	45,311	
Insurance	-	-	-	15,858	-	15,858	
Interest expense	-	-	-	5,390	-	5,390	
Internships	-	2,705	2,705	-	-	2,705	
Meals and entertainment	525	139	664	864	-	1,528	
Newsletters	19,805	-	19,805	-	-	19,805	
Office	45	436	481	14,688	68	15,237	
Payroll	321,168	174,182	495,350	126,504	38,866	660,720	
Payroll taxes	21,318	11,561	32,879	7,471	2,580	42,930	
Personal property tax	-	-	-	2,254	-	2,254	
Photography	21	3,493	3,514	-	-	3,514	
Postage, shipping and delivery	5,999	-	5,999	2,913	297	9,209	
Printing	8,556	1,563	10,119	150	724	10,993	
Public relations	2,486	-	2,486	42	174	2,702	
Real estate tax	-	-	-	19,183	-	19,183	
Rent and occupancy	1,027	-	1,027	27,645	286	28,958	
Software	224	-	224	981	-	1,205	
Supplies and miscellaneous	4,957	-	4,957	935	-	5,892	
Technology	3,807	-	3,807	3,654	-	7,461	
Telecommunications	4,002	-	4,002	-	-	4,002	
Travel	14,997	17,626	32,623	1,481	-	34,104	
	<u>\$ 530,139</u>	<u>\$ 459,299</u>	<u>\$ 989,438</u>	<u>\$ 368,089</u>	<u>\$ 73,305</u>	<u>\$ 1,430,832</u>	

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

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services		Total Program Services	General and Administrative	Fundraising	Total
	Public Information	Special Projects				
Accounting and legal	-	-	-	30,752	2,840	33,592
Advertising and marketing	2,502	568	3,070	-	-	3,070
Bank charges	522	56	578	3,293	-	3,871
Board meetings	-	-	-	12,562	-	12,562
Calendars	-	17,352	17,352	-	255	17,607
Conferences	9,800	195,022	204,822	-	-	204,822
Consultants	500	-	500	981	-	1,481
Depreciation and amortization	8,116	8,116	16,232	9,468	8,116	33,816
Direct mail	106,586	-	106,586	-	-	106,586
Equipment	83	40	123	9,331	-	9,454
Fees	-	-	-	8,176	-	8,176
Films, books and literature	124	100	224	35	-	259
Honorariums	250	21,460	21,710	-	-	21,710
House file mailings	28,758	-	28,758	-	14,442	43,200
Insurance	-	-	-	15,608	-	15,608
Interest expense	-	-	-	6,618	-	6,618
Internships	391	7,112	7,503	-	-	7,503
Legacy Package	-	-	-	-	9,663	9,663
Meals and entertainment	793	-	793	635	-	1,428
Newsletters	21,151	-	21,151	-	-	21,151
Payroll	308,145	169,381	477,526	116,010	39,350	632,886
Payroll taxes	20,468	11,251	31,719	7,377	2,614	41,710
Personal property tax	-	-	-	1,594	-	1,594
Photography	112	5,107	5,219	-	-	5,219
Postage, shipping and delivery	5,387	29	5,416	3,405	13	8,834
Printing	10,525	1,127	11,652	657	723	13,032
Public relations	413	51	464	20	916	1,400
Real estate tax	-	-	-	18,909	-	18,909
Rent and occupancy	1,114	-	1,114	24,713	101	25,928
Software	2,729	-	2,729	180	-	2,909
Supplies and miscellaneous	1,013	106	1,119	2,998	200	4,317
Technology	750	-	750	7,104	-	7,854
Telecommunications	3,667	-	3,667	-	-	3,667
Travel	14,712	5,271	19,983	960	-	20,943
	<u>\$ 548,611</u>	<u>\$ 442,149</u>	<u>\$ 990,760</u>	<u>\$ 281,386</u>	<u>\$ 79,233</u>	<u>\$ 1,351,379</u>

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

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 1 – Organization and Summary of Significant Accounting Policies

Clare Boothe Luce Center for Conservative Women (the “Center”) is a not-for-profit organization established in May 1993. The Center prepares and promotes conservative women leaders. The Center is located in Herndon, Virginia.

The Center’s two main programs are public information and special projects. The public information program focuses on the Center’s media and communication activities such as the Center’s website, 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 Center’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 Center, resources for various purposes are classified for accounting purposes into classes established according to their nature and purpose as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Center’s management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash Equivalents

For purposes of the statement of cash flows, the Center considers all highly liquid debt instruments purchased with an original maturity of ninety days or less to be cash equivalents. The Center 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 CENTER FOR CONSERVATIVE WOMEN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 1 - Summary of Significant Accounting Policies, continued

Fair Value of Financial Instruments

The Center 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, 2018 and 2017. 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, 2018 and 2017 range from 1.2% to 3.9%. 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, 2018 and 2017.

Property and Equipment

Property and equipment (including major renewals, replacements and betterments), with a cost of \$2,000 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 five to forty years. Leasehold improvements are amortized under the straight-line method over the lease term.

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 1 - Summary of Significant Accounting Policies, continued

Beneficial Interest in Trusts

The Center 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.

Gift Annuities

Gift annuities are contracts between the Center and a donor in which the center 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 Center 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 Center 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 Center recognizes income from list rental as income when the list is delivered.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs were \$8,696 and \$3,070 for the years ended December 31, 2018 and 2017, respectively.

Tax Exempt Status

The Center 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 Center's tax positions and concluded that the Center had taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Center is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years prior to 2016.

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 1 - Summary of Significant Accounting Policies, continued

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.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications have no effect on change in net assets.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Center has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 2 - Investments

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

	<u>2018</u>	<u>2017</u>
Index mutual funds	\$ 640,013	\$ 314,878
Equity securities	289,721	313,671
Fixed income mutual funds	379,153	359,566
ETFs	728	742
Money market funds	8,908	4,865
	<u>\$ 1,318,523</u>	<u>\$ 993,722</u>

Investment income is comprised of the following at December 31:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 26,755	\$ 21,678
Realized and unrealized gains (losses)	(79,218)	113,057
	<u>\$ (52,463)</u>	<u>\$ 134,735</u>

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 3 – Contributions Receivable

Receivables consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Due in one year or less	\$ 458,648	\$ 273,939
Due in two to five years	249,126	284,000
Due in more than five years	830,500	857,500
	1,538,274	1,415,439
Less: allowance for doubtful collections	-	-
Less: discount to net present value	(326,132)	(334,500)
	\$ 1,212,142	\$ 1,080,939
Current portion	\$ 458,648	\$ 273,939
Long-term portion	753,494	807,000
	\$ 1,212,142	\$ 1,080,939

The discount on contribution receivables was calculated using discount rates ranging from 1.2% - 3.9% for the years ended December 31, 2018 and 2017. There was no bad debt expense recognized on contributions receivable for the years ended December 31, 2018 and 2017.

Five receivables totaled 92% of total receivables at December 31, 2018. Four receivables totaled 94% of total receivables at December 31, 2017.

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>2018</u>	<u>2017</u>
Remainder trust	\$ 120,667	\$ 136,055

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 CENTER FOR CONSERVATIVE WOMEN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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>2018</u>	<u>2017</u>
Land	\$ 157,085	\$ 157,085
Building and improvements	1,018,317	1,045,986
Equipment	44,182	47,645
Furniture and fixtures	114,541	114,541
Software	31,580	31,580
	1,365,705	1,396,837
Less: accumulated depreciation and amortization	(537,548)	(508,660)
	\$ 828,157	\$ 888,177

Depreciation and amortization expense totaled \$32,133 and \$33,816 for the years ended December 31, 2018 and 2017, respectively.

NOTE 6 – Note Payable

The Center 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 Center's property.

The outstanding note payable is as follows at December 31:

	<u>2018</u>	<u>2017</u>
Note payable	\$ 66,442	\$ 83,818
Current maturities	\$ 18,413	\$ 17,300
Long-term maturities	48,029	66,518
	\$ 66,442	\$ 83,818

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

2020	\$ 19,598
2021	20,858
2022	7,573
	\$ 48,029

Interest expense for the years ended December 31, 2018 and 2017 totaled \$5,390 and \$6,618, respectively.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 7 – Capital Leases

The Center has a capital lease agreement for a telephone system totaling \$10,406 which expires in 2021.

The present value of future minimum lease payments at December 31, 2018 is as follows:

2019	\$	2,591	
Amount representing interest.....		(448)	
Current portion	\$	2,143	
2020	\$	2,591	
2021		712	
Amount representing interest		(291)	
Long-term portion	\$	3,012	

The net book value of the equipment recorded in the financial statements as of December 31, 2018 and 2017 is as follows:

		<u>2018</u>		<u>2017</u>
Cost of Equipment	\$	10,906	\$	10,906
Less: Accumulated depreciation		(5,453)		(3,272)
	\$	5,453	\$	7,634

NOTE 8 – Net Assets

Net assets that are perpetual in nature consist of endowment funds to be held indefinitely, the income from which is expendable to support the Center's internships. Time restricted net assets consist of the cumulative income earned on the restricted funds that are perpetual in nature less expenditures for internships, and funds that are restricted to be used as construction costs on the new suite become due.

Net assets consist of the following at December 31:

		<u>2018</u>		<u>2017</u>
With Donor Restrictions				
Perpetual in nature	\$	1,375,468	\$	1,367,100
Time restricted		503,494		393,047
Purpose restricted		668,035		442,244
	\$	2,546,997	\$	2,202,391
Without Donor Restrictions:				
Undesignated	\$	1,567,122	\$	1,553,569
Total Without Donor Restrictions	\$	1,567,122	\$	1,553,569

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 9 – Endowment Funds

The Center’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 Center’s lecture series. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The internship endowment has been fully funded. The general endowment was created with a pledge in 2012 that will be paid over several years starting in 2013. The lecture series endowment will be paid over several years starting on the first anniversary of the donor’s death. Investment income will be allocated to the funds based on amounts actually received and invested. Investment income related to the internship and lecture series is temporarily restricted.

Interpretation of Relevant Law

Management of the Center 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 Center 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 Center 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 Center 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 Center
7. The investment policies of the Center

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

	<u>2018</u>	<u>2017</u>
Endowment net assets, beginning of year	\$ 1,367,100	1,369,504
Net investment income	(17,519)	45,564
Present value adjustment	35,353	-
Appropriation of endowment assets for expenditure	-	(47,968)
Endowment net assets, end of year	<u>\$ 1,384,934</u>	<u>\$ 1,367,100</u>

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 9 – Endowment Funds, continued

The portion of endowment funds that is required to be retained either by explicit donor stipulation, or by UPMIFA in perpetuity, totaled \$1,384,934 and \$1,367,100 at December 31, 2018 and 2017, 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 Center to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2018 and 2017.

Return Objectives and Risk Parameters

The Center 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 Center 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 Center 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 Center has a policy of appropriating for distribution each year the income earned on the endowment funds. In establishing this policy, the Center considered the long-term expected return on its endowment. Accordingly, over the long term, the Center expects the current spending policy to remain consistent. This is consistent with the Center'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.

NOTE 10 – Pension Plan

The Center 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 Center to the plan.

NOTE 11 – Availability and Liquidity of Resources

The Center's financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position, are as follows:

Cash and cash equivalents	\$	728,619
Contributions receivable		113,898
Investments		278,677
Net Financial Assets Available Within One Year	\$	<u>1,121,194</u>

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 11 – Availability and Liquidity of Resources, continued

As part of liquidity management, the Center has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. In addition, as part of liquidity management, the Center invests cash in short-term investments, including money market accounts, stocks, and exchange traded funds. The Center's financial assets available at December 31, 2018 are sufficient to cover all of its obligations.

NOTE 12 – Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program, general and administrative and fundraising activities based on level of effort. Such allocations are determined by management on an equitable basis.

NOTE 13 – Subsequent Events

In preparing the accompanying financial statements, management has evaluated events and transactions for potential recognition or disclosure through May 20, 2019, the date the financial statements were issued.