



**INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**



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CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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
June 9, 2020

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 373,400	\$ 728,619
Contributions receivable, net	207,293	458,648
Total Current Assets	580,693	1,187,267
PROPERTY AND EQUIPMENT, AT COST	1,830,587	1,365,705
Less: accumulated depreciation and amortization	(348,904)	(537,548)
	1,481,683	828,157
INVESTMENTS	1,490,690	1,318,523
OTHER ASSETS		
Contributions receivable, net	592,245	753,494
Other assets	30,450	5,382
Beneficial interest in trusts	137,037	120,667
	759,732	879,543
TOTAL ASSETS	\$ 4,312,798	\$ 4,213,490
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 87,865	\$ 13,313
Current portion of note payable	19,598	18,413
Current portion of gift annuities payable	1,595	1,604
Current portion of capital lease payable	2,344	2,143
Total Current Liabilities	111,402	35,473
LONG-TERM LIABILITIES		
Note payable (net of current portion)	28,335	48,029
Gift annuities payable (net of current portion)	11,263	12,857
Capital lease payable (net of current portion)	668	3,012
	40,266	63,898
NET ASSETS		
Without donor restrictions	2,356,943	1,567,122
With donor restrictions	1,804,187	2,546,997
	4,161,130	4,114,119
TOTAL LIABILITIES AND NET ASSETS	\$ 4,312,798	\$ 4,213,490

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 854,513	\$ 413,000	\$ 1,267,513
Grants	31,500	-	31,500
Contributed investments	64,202	-	64,202
Honorarium contributions	8,800	-	8,800
Investment income	62,723	73,276	135,999
Other income	420	-	420
	1,022,158	486,276	1,508,434
Net assets released from restrictions ...	1,245,456	(1,245,456)	-
	2,267,614	(759,180)	1,508,434
EXPENSES			
Program services			
Public information	594,009	-	594,009
Special projects	435,052	-	435,052
Total Program Services	1,029,061	-	1,029,061
General and administrative	364,366	-	364,366
Fundraising	83,524	-	83,524
	1,476,951	-	1,476,951
CHANGES IN NET ASSETS			
FROM OPERATIONS	790,663	(759,180)	31,483
CHANGE IN VALUE OF TRUSTS	-	16,370	16,370
CHANGE IN VALUE OF ANNUITIES	(842)	-	(842)
	(842)	16,370	15,528
CHANGE IN NET ASSETS	789,821	(742,810)	47,011
NET ASSETS, BEGINNING OF YEAR	1,567,122	2,546,997	4,114,119
NET ASSETS, END OF YEAR	\$ 2,356,943	\$ 1,804,187	\$ 4,161,130

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
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
	1,004,750	800,601	1,805,351
Net assets released from restrictions ...	440,607	(440,607)	-
	1,445,357	359,994	1,805,351
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
	1,430,832	-	1,430,832
CHANGES IN NET ASSETS			
FROM OPERATIONS	14,525	359,994	374,519
CHANGE IN VALUE OF TRUSTS	-	(15,388)	(15,388)
CHANGE IN VALUE OF ANNUITIES	(972)	-	(972)
	(972)	(15,388)	(16,360)
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	\$ 1,567,122	\$ 2,546,997	\$ 4,114,119

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 47,011	\$ 358,159
Adjustments to reconcile net assets to net cash provided by (used in) operating activities:		
Donated stocks	(64,202)	(318,721)
Depreciation and amortization	31,843	32,133
Change in present value discount on contributions receivable ..	(19,877)	(8,368)
Change in value of annuities	842	972
Change in beneficial interest in trusts	(16,370)	15,388
(Gain) loss on dispositions	130,223	27,887
Realized(gain) loss on investments	(104,375)	(518)
Unrealized (gain) loss on investments	(124,094)	79,518
(Increase) decrease in:		
Contributions receivable	432,481	(122,835)
Other assets	(25,068)	1,415
Increase (decrease) in:		
Accounts payable and accrued expenses	74,552	(24,770)
	<u>315,955</u>	<u>(317,899)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>362,966</u>	<u>40,260</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Cash used to purchase property and equipment	(815,592)	-
Cash used to purchase investments	(522,448)	(94,717)
Cash proceeds from sale of investments	642,952	9,637
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(695,088)</u>	<u>(85,080)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payments on notes payable	(18,509)	(17,376)
Payments on lease obligations	(2,143)	(1,960)
Payments on gift annuities	(2,445)	(3,095)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(23,097)</u>	<u>(22,431)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS ...	(355,219)	(67,251)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>728,619</u>	<u>795,870</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 373,400</u>	<u>\$ 728,619</u>
<u>SUPPLEMENTAL CASH FLOW INFORMATION</u>		
Cash paid for interest	\$ 4,125	\$ 5,390
<u>SUPPLEMENTAL NON-CASH ACTIVITIES</u>		
Donated stocks	\$ 64,202	\$ 318,721

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services		Total Program Services	General and Administrative	Fundraising	Total
	Public Information	Special Projects				
Accounting and legal	\$ -	\$ -	\$ -	\$ 32,815	\$ -	\$ 32,815
Advertising and marketing	3,399	327	3,726	780	80	4,586
Bank charges	-	201	201	8,869	9	9,079
Board meetings	-	-	-	8,578	-	8,578
Building costs	-	-	-	1,674	-	1,674
Calendars	-	14,572	14,572	-	662	15,234
Conferences	-	194,600	194,600	-	-	194,600
Consultants	-	500	500	656	300	1,456
Depreciation and amortization	7,642	7,642	15,285	8,916	7,642	31,843
Direct mail	154,947	-	154,947	-	-	154,947
Fees	-	-	-	9,000	-	9,000
Films, books and literature	526	548	1,074	-	286	1,360
Honorariums	-	30,476	30,476	-	-	30,476
House file mailings	36,937	-	36,937	-	18,697	55,634
Insurance	-	-	-	14,284	-	14,284
Interest expense	-	-	-	4,125	-	4,125
Internships	-	8,583	8,583	-	-	8,583
Meals and entertainment	351	52	403	711	-	1,114
Newsletters	16,281	-	16,281	-	-	16,281
Office	93	423	516	21,828	-	22,344
Payroll	342,155	160,811	502,966	144,268	37,817	685,051
Payroll taxes	-	-	-	44,701	-	44,701
Personal property tax	-	-	-	2,083	-	2,083
Photography	28	3,965	3,993	-	-	3,993
Postage, shipping and delivery	25	-	25	4,451	3,945	8,421
Printing	8,143	1,400	9,543	2,765	10,880	23,188
Public relations	2,089	25	2,114	348	1,810	4,272
Real estate tax	-	-	-	19,183	-	19,183
Rent and occupancy	586	-	586	25,171	392	26,149
Software	-	-	-	1,695	1,004	2,699
Supplies and miscellaneous	-	40	40	711	-	751
Technology	5,772	-	5,772	5,420	-	11,192
Telecommunications	2,737	-	2,737	-	-	2,737
Travel	12,297	10,887	23,184	1,334	-	24,518
	<u>\$ 594,009</u>	<u>\$ 435,052</u>	<u>\$ 1,029,061</u>	<u>\$ 364,366</u>	<u>\$ 83,524</u>	<u>\$ 1,476,951</u>

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>

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law.

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.

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

NOTE 1 - Summary of Significant Accounting Policies, continued

Revenue Recognition

Revenues are measured based on consideration specified in a contract with a customer. The Center recognizes revenue when it satisfies a performance obligation by transferring control over a promised good or service to a customer. The Center evaluated each category of their revenue and determined that the principal activities generating revenue do not have exchange elements and; therefore, are not considered contracts with customers.

Contributions

Unconditional contributions, including unconditional promises to give and notification of a beneficial interest, are recognized as revenue in the period received.

A contribution, gift, or grant is conditional if an agreement includes a barrier that must be overcome and, either a right of return of assets transferred, or a right of release of a promisor's obligation to transfer assets. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until they become unconditional, that is, when the barrier(s) in the agreement are overcome.

Unconditional contributions with no purpose or time restrictions are reported as revenue without donor restrictions.

Unconditional contributions with donor-imposed restrictions that limit the use of the asset are reported as revenues with donor restrictions and are reclassified to net assets without donor restrictions when an expense is incurred that satisfies the donor-imposed restriction. However, for unconditional donor-restricted contributions that were initially conditional, if donor-imposed restrictions are met in the same year that they become unconditional, the revenues are reported as revenues without donor restrictions on the statement of activities. Contributions restricted for the acquisition of plant and equipment are released from restriction when the asset is placed in service.

Contributions of assets other than cash, including long-lived assets, are recorded at their estimated fair value, which is determined based on the present value of future cash flows as described later in this note using level 3 inputs. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Contributions receivable are recorded at estimated fair value on the date the donor's unconditional promise to contribute is made using the present value of future cash flows. Contributions receivable are not measured at fair value subsequent to initial measurement.

The Center uses the allowance method for recording bad debt expense. Management periodically reviews the aged receivables and adjusts the allowance to reflect the current estimate of future bad debt expense. Allowances are based on past loss experience and current economic conditions. There was no allowance for either of the years ended December 31, 2019 and 2018. The Center charges off uncollectible receivables when management determines it will not be collected.

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

NOTE 1 – Nature of Activities and Significant Accounting Policies, continued

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.

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, 2019 and 2018. 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, 2019 and 2018 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 of December 31, 2019 and 2018.

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

NOTE 1 – Nature of Activities and Significant Accounting Policies, continued

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.

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.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs were \$4,586 and \$8,696 for the years ended December 31, 2019 and 2018, 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 2017.

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.

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

NOTE 1 – Nature of Activities and Significant Accounting Policies, continued

Recently Adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-19, *Revenue from Contracts with Customers (Topic 606)*. The pronouncement was issued to clarify the principles for recognizing revenue and to develop a common revenue standard and disclosure requirements for U.S. GAAP and International Financial Reporting Standards. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Center adopted ASU No. 2014-19 on January 1, 2019 using the modified retrospective method and elected to apply the standard only to contracts that were not completed as of that date. The amendments did not significantly impact the results of operations or changes in net assets.

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.

NOTE 2 - Investments

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

	<u>2019</u>	<u>2018</u>
Index mutual funds	\$ 742,586	\$ 640,013
Equity securities	31,825	289,721
Fixed income mutual funds	594,616	379,153
ETFs	-	728
Money market funds	<u>121,663</u>	<u>8,908</u>
	<u>\$ 1,490,690</u>	<u>\$ 1,318,523</u>

Investment income is comprised of the following at December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 37,753	\$ 26,755
Realized and unrealized gains (losses)	<u>98,246</u>	<u>(79,218)</u>
	<u>\$ 135,999</u>	<u>\$ (52,463)</u>

NOTE 3 – Contributions Receivable

Receivables consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Due in one year or less	\$ 207,293	\$ 458,648
Due in two to five years	103,000	249,126
Due in more than five years	<u>795,500</u>	<u>830,500</u>
	1,105,793	1,538,274
Less: allowance for doubtful collections	-	-
Less: discount to net present value	<u>(306,255)</u>	<u>(326,132)</u>
	<u>\$ 799,538</u>	<u>\$ 1,212,142</u>

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

NOTE 3 – Contributions Receivable, continued

	<u>2019</u>	<u>2018</u>
Current portion	\$ 207,293	\$ 458,648
Long-term portion	592,245	753,494
	\$ 799,538	\$ 1,212,142

The discount on contribution receivables was calculated using discount rates ranging from 1.2% - 3.9% for the years ended December 31, 2019 and 2018. Bad debt expense recognized on contributions receivable totaled \$28,000 and \$0 for the years ended December 31, 2019 and 2018, respectively.

Three receivables totaled 94% of total receivables at December 31, 2019. Five receivables totaled 92% of total receivables at December 31, 2018.

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>2019</u>	<u>2018</u>
Remainder trust	\$ <u>137,037</u>	\$ <u>120,667</u>

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.

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>2019</u>	<u>2018</u>
Land	\$ 157,085	\$ 157,085
Building and improvements	1,394,863	1,018,317
Equipment	107,501	44,182
Furniture and fixtures	141,722	114,541
Software	29,416	31,580
	1,830,587	1,365,705
Less: accumulated depreciation and amortization	(348,904)	(537,548)
	\$ 1,481,683	\$ 828,157

Depreciation and amortization expense totaled \$31,843 and \$32,133 for the years ended December 31, 2019 and 2018, respectively.

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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>2019</u>	<u>2018</u>
Note payable	\$ <u>47,933</u>	\$ <u>66,442</u>
Current maturities	\$ 19,598	\$ 18,413
Long-term maturities	<u>28,335</u>	<u>48,029</u>
	\$ <u>47,933</u>	\$ <u>66,442</u>

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

2020	\$ 20,858	
2021	<u>7,477</u>	
	\$ <u>28,335</u>	

Interest expense for the years ended December 31, 2019 and 2018 totaled \$4,125 and \$5,390, respectively.

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, 2019 is as follows:

2020	\$ 2,591	
Amount representing interest.....	<u>(247)</u>	
Current portion	\$ <u>2,344</u>	
2021	\$ 712	
Amount representing interest	<u>(44)</u>	
Long-term portion	\$ <u>668</u>	

The net book value of the equipment recorded in the financial statements for the years ending December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Cost of Equipment	\$ 10,906	\$ 10,906
Less: Accumulated depreciation	<u>(7,634)</u>	<u>(5,453)</u>
	\$ <u>3,272</u>	\$ <u>5,453</u>

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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 for construction costs on a new office suite.

Net assets consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
<u>With Donor Restrictions</u>		
Perpetual in nature	\$ 1,388,158	\$ 1,384,934
Time restricted	310,293	494,028
Purpose restricted	<u>105,736</u>	<u>668,035</u>
	<u>\$ 1,804,187</u>	<u>\$ 2,546,997</u>
	<u>2019</u>	<u>2018</u>
<u>Without Donor Restrictions:</u>		
Undesignated	\$ <u>2,356,943</u>	\$ <u>1,567,122</u>
Total Without Donor Restrictions	<u>\$ 2,356,943</u>	<u>\$ 1,567,122</u>

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.

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

NOTE 9 – Endowment Funds, continued

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>2019</u>	<u>2018</u>
Endowment net assets, beginning of year	\$ 1,384,934	\$ 1,367,100
Net investment income and present value adjustment	3,224	17,834
Appropriation of endowment assets for expenditure	-	-
Endowment net assets, end of year	<u>\$ 1,388,158</u>	<u>\$ 1,384,934</u>

The portion of endowment funds that is required to be retained either by explicit donor stipulation, or by UPMIFA in perpetuity, totaled \$1,388,158 and \$1,384,934 at December 31, 2019 and 2018, 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, 2019 and 2018.

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

NOTE 9 – Endowment Funds, continued

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	\$	373,400
Contributions receivable		97,025
Investments		38,137
Net Financial Assets Available Within One Year	\$	<u>508,562</u>

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, 2019 are sufficient to cover all of its obligations.

CLARE BOOTHE LUCE CENTER FOR CONSERVATIVE WOMEN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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 June 9, 2020, the date the financial statements were issued.

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating from Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Center’s financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Center is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for 2020. Although the Center cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Center’s results for future operations, financial position, and liquidity in 2020.