



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

Clare Boothe Luce Policy Institute

**Financial Statements
For the Years Ended
December 31, 2005 and 2004
With Independent Auditors' Report**



Clare Boothe Luce Policy Institute
Financial Statements
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FITZGERALD, SNYDER & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS
CLARE BOOTHE LUCE POLICY INSTITUTE
Herndon, Virginia

We have audited the accompanying statements of financial position of CLARE BOOTHE LUCE POLICY INSTITUTE (the "Institute") as of December 31, 2005 and 2004, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CLARE BOOTHE LUCE POLICY INSTITUTE as of December 31, 2005 and 2004, and the change in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Fitzgerald Snyder & Co., P.C.

McLean, Virginia
February 2, 2006



Clare Boothe Luce Policy Institute
Statements of Financial Position
December 31, 2005 and 2004

	2005	2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 224,940	\$ 30,361
Investments	2,535	6,498
Contributions receivable	65,615	37,500
Total current assets	<u>293,090</u>	<u>74,359</u>
PROPERTY, BUILDING & EQUIPMENT, net	798,279	825,816
OTHER ASSETS	<u>11,715</u>	<u>742</u>
	<u>\$ 1,103,084</u>	<u>\$ 900,917</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 15,801	\$ 40,958
Current portion of notes payable	18,184	16,877
Total current liabilities	<u>33,985</u>	<u>57,835</u>
NOTES PAYABLE	256,913	274,410
Total liabilities	<u>290,898</u>	<u>332,245</u>
NET ASSETS:		
Unrestricted	641,843	497,006
Temporarily restricted	170,343	71,666
Total net assets	<u>812,186</u>	<u>568,672</u>
	<u>\$ 1,103,084</u>	<u>\$ 900,917</u>



Clare Boothe Luce Policy Institute
Statements of Activities
For the Years Ended December 31, 2005 and 2004

	2005		2004			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 973,557	\$ 60,615	\$ 1,034,172	\$ 555,138	\$ 18,000	\$ 573,138
Grants	79,600	107,710	187,310	67,500	45,000	112,500
Contributed investments	30,647	-	30,647	16,535	-	16,535
List rental income	7,864	-	7,864	2,309	-	2,309
Honorarium contributions	-	54,700	54,700	-	52,500	52,500
Book and tape sales	1,746	-	1,746	3,083	-	3,083
Interest income	86	-	86	89	-	89
Unrealized/realized investment loss	(549)	-	(549)	(368)	-	(368)
Other income	14,091	-	14,091	856	-	856
Net assets released from restrictions	124,348	(124,348)	-	97,796	(97,796)	-
Total support and revenue	<u>1,231,390</u>	<u>98,677</u>	<u>1,330,067</u>	<u>742,938</u>	<u>17,704</u>	<u>760,642</u>
EXPENSES:						
Program services:						
Public information	328,569	-	328,569	265,623	-	265,623
Special projects	483,883	-	483,883	365,947	-	365,947
Total program services	<u>812,452</u>	<u>-</u>	<u>812,452</u>	<u>631,570</u>	<u>-</u>	<u>631,570</u>
Supporting services:						
Fundraising	156,591	-	156,591	129,242	-	129,242
Management and general	117,510	-	117,510	102,767	-	102,767
Total expenses	<u>1,086,553</u>	<u>-</u>	<u>1,086,553</u>	<u>863,579</u>	<u>-</u>	<u>863,579</u>
CHANGE IN NET ASSETS	144,837	98,677	243,514	(120,641)	17,704	(102,937)
NET ASSETS, BEGINNING OF YEAR	497,006	71,666	568,672	617,647	53,962	671,609
NET ASSETS, END OF YEAR	<u>\$ 641,843</u>	<u>\$ 170,343</u>	<u>\$ 812,186</u>	<u>\$ 497,006</u>	<u>\$ 71,666</u>	<u>\$ 568,672</u>

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



Clare Boothe Luce Policy Institute
Statement of Functional Expenses
For the Year Ended December 31, 2005

	Program Services		Supporting Services		Total
	Public Information	Special Projects	Fund-raising	Management & General	
Accounting and legal	\$ -	\$ -	\$ -	\$ 15,298	\$ 15,298
Advertising	250	651	150	201	1,252
Bank charges	656	1,706	394	524	3,280
Board meetings	-	-	-	2,085	2,085
Computer and website services	4,819	541	125	167	5,652
Conferences	-	47,799	-	-	47,799
Consultants	2,500	200	7,000	-	9,700
Depreciation and amortization	9,727	25,289	5,836	7,781	48,633
Direct mail	88,331	-	40,488	-	128,819
Dues and subscriptions	472	472	-	-	944
Equipment	207	537	124	165	1,033
Fees	247	643	148	198	1,236
Films, books and literature	21,071	129	-	-	21,200
Honorariums	-	83,631	-	-	83,631
House file mailings	53,079	-	32,588	-	85,667
Insurance	668	1,738	401	535	3,342
Interest	3,737	9,717	2,242	2,991	18,687
List rental	-	-	-	389	389
Newsletters	21,009	-	1,615	-	22,624
Payroll	83,240	216,423	49,944	66,591	416,198
Payroll taxes	5,856	15,227	3,514	4,685	29,282
Photography	-	5,533	-	-	5,533
Postage	7,899	17	800	2,515	11,231
Printing	-	14,531	-	-	14,531
Public relations	1,082	2,814	649	866	5,411
Real estate tax	2,594	6,745	1,557	2,076	12,972
Rent and occupancy	6,038	15,698	3,623	4,830	30,189
Scholarships	-	8,000	-	-	8,000
Shipping and delivery	1,358	455	65	311	2,189
Software	1,082	2,812	649	865	5,408
Supplies and miscellaneous	1,021	2,655	613	2,331	6,620
Telecommunications	9,395	384	384	882	11,045
Travel	2,231	20,008	3,682	1,224	27,145
	\$ 328,569	\$ 483,883	\$ 156,591	\$ 117,510	\$ 1,086,553
				\$ 274,101	\$ 1,086,553

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



Clare Boothe Luce Policy Institute
Statement of Functional Expenses
For the Year Ended December 31, 2004

	Program Services		Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Public Information	Special Projects		Fund-raising	Management & General		
Accounting and legal	\$ -	\$ -	\$ -	\$ -	\$ 12,463	\$ 12,463	\$ 12,463
Advertising	232	502	734	87	179	266	1,000
Bank charges	384	828	1,212	144	296	440	1,652
Board meetings	-	-	-	-	1,817	1,817	1,817
Computer and website services	2,771	801	3,572	140	286	426	3,998
Conferences	-	19,883	19,883	-	-	-	19,883
Consultants	250	-	250	452	-	452	702
Depreciation and amortization	11,411	24,624	36,035	4,287	8,779	13,066	49,101
Direct mail	63,002	-	63,002	46,566	-	46,566	109,568
Dues and subscriptions	687	-	687	-	-	-	687
Equipment	345	744	1,089	129	265	394	1,483
Fees	298	642	940	112	229	341	1,281
Films, books and literature	14,195	95	14,290	-	-	-	14,290
Honorariums	-	69,500	69,500	-	-	-	69,500
House file mailings	42,583	-	42,583	30,785	-	30,785	73,368
Insurance	774	1,670	2,444	291	596	887	3,331
Interest	4,954	10,691	15,645	1,861	3,812	5,673	21,318
List rental	-	-	-	-	494	494	494
Newsletters	19,238	-	19,238	2,564	-	2,564	21,802
Payroll	73,629	158,886	232,515	27,658	56,648	84,306	316,821
Payroll taxes	5,170	11,157	16,327	1,942	3,978	5,920	22,247
Photography	-	4,707	4,707	-	-	-	4,707
Postage	6,070	298	6,368	1,225	1,481	2,706	9,074
Printing	-	9,045	9,045	-	-	-	9,045
Public relations	966	2,084	3,050	363	743	1,106	4,156
Real estate tax	3,005	6,485	9,490	1,129	2,313	3,442	12,932
Rent and occupancy	4,213	9,092	13,305	1,583	3,242	4,825	18,130
Scholarships	-	19,000	19,000	-	-	-	19,000
Shipping and delivery	958	265	1,223	34	671	705	1,928
Software	369	797	1,166	139	284	423	1,589
Supplies and miscellaneous	881	1,924	2,805	331	2,193	2,524	5,329
Telecommunications	7,184	384	7,568	388	763	1,151	8,719
Travel	2,054	11,843	13,897	7,032	1,235	8,267	22,164
	\$ 265,623	\$ 365,947	\$ 631,570	\$ 129,242	\$ 102,767	\$ 232,009	\$ 863,579

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



Clare Boothe Luce Policy Institute
Statements of Cash Flows
For the Years Ended December 31, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 243,514	\$ (102,937)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	48,633	49,101
Contributed investments	(30,647)	(16,535)
Unrealized/realized loss on marketable securities/reinvested dividends	549	368
Loss on disposal of assets	-	1,449
Changes in assets and liabilities affecting operations:		
Contributions receivable	(28,115)	(37,500)
Other assets	(10,973)	(742)
Accounts payable and accrued expenses	(25,157)	35,898
Net cash provided by (used in) operating activities	<u>197,804</u>	<u>(70,898)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments	34,061	13,167
Purchase of property and equipment	(21,096)	(5,885)
Net cash provided by investing activities	<u>12,965</u>	<u>7,282</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of notes payable	(16,190)	(15,466)
Net cash used in financing activities	<u>(16,190)</u>	<u>(15,466)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	194,579	(79,082)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>30,361</u>	<u>109,443</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 224,940</u>	<u>\$ 30,361</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid during the year	<u>\$ 18,687</u>	<u>\$ 21,318</u>



Clare Boothe Luce Policy Institute

Notes to Financial Statements
December 31, 2005 and 2004

A. ORGANIZATION

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

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial statement presentation - The Institute reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. As of December 31, 2005 and 2004, the Institute had \$170,343 and \$71,666 in temporarily restricted net assets, respectively, and no permanently restricted net assets.

Contributions - Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any restrictions. The Institute reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

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

Investments - Investments are reported at market value, and contributions of marketable securities are recorded at their fair market value at the date of donation.



Clare Boothe Luce Policy Institute

Notes to Financial Statements

December 31, 2005 and 2004

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Advertising costs - Advertising costs are expensed as incurred. For the years ended December 31, 2005 and 2004, advertising costs totaled \$1,252 and \$1,000, respectively.

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

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

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

Reclassifications - Certain reclassifications of expense categories were made to the accompanying 2004 financial information to conform to the 2005 presentation.

C. INVESTMENTS

Investments at December 31, 2005 and 2004 consisted of short-term investments in stock totaling \$2,535 and \$6,498, respectively. For the years ended December 31, 2005 and 2004, investment return consisted of (\$549) and (\$368), respectively, of net realized and unrealized losses related to investment activity.

D. CONTRIBUTIONS RECEIVABLE

Contributions receivable are comprised of grants totaling \$65,615 and \$37,500 as of December 31, 2005 and 2004, respectively. All grants are expected to be received within one year and are recorded at net realizable value. Since uncollectible contributions receivable are considered to be insignificant, an allowance is not considered necessary.



Clare Boothe Luce Policy Institute

Notes to Financial Statements

December 31, 2005 and 2004

E. PROPERTY, BUILDING AND EQUIPMENT

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

	2005	2004
Land	\$ 87,085	\$ 87,085
Buildings and improvements	696,897	696,897
Furniture and fixtures	137,557	137,557
Machinery and equipment	75,475	54,379
	<u>997,014</u>	<u>975,918</u>
Less: accumulated depreciation	(198,735)	(150,102)
	<u>\$ 798,279</u>	<u>\$ 825,816</u>

F. NOTES PAYABLE

Outstanding notes payable are as follows at December 31:

	2005	2004
\$95,000 note payable with a bank, commencing on October 29, 1999; collateralized by a deed of trust on the Institute's property. The loan bears interest at 8.0% per annum with monthly payments of \$1,159. The loan matures on October 29, 2009.	\$ 44,338	\$ 54,220
\$250,000 construction note payable commencing on September 6, 2002. During the period of construction the note shall be payable in monthly installments of interest only. The term note is payable in monthly installments of principal and interest of \$1,907 for 59 months at an interest rate of 7.75%. The remaining balance is payable on March 6, 2008.	<u>230,759</u>	<u>237,067</u>
	275,097	291,287
Less: current portion	<u>(18,184)</u>	<u>(16,877)</u>
	<u>\$ 256,913</u>	<u>\$ 274,410</u>



Clare Boothe Luce Policy Institute

Notes to Financial Statements

December 31, 2005 and 2004

F. NOTES PAYABLE (CONTINUED)

Future principal payments due for notes payable are as follows for the years ending December 31:

2006	\$ 18,184
2007	19,593
2008	227,793
2009	<u>9,527</u>
	\$ <u>275,097</u>

G. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2005</u>	<u>2004</u>
Time restricted	\$ 65,615	\$ 37,500
Mentoring	36,244	34,166
Technology	<u>68,484</u>	<u>-</u>
Total	\$ <u>170,343</u>	\$ <u>71,666</u>

H. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets are released from donor restrictions when expenses are incurred that satisfy the donor restricted purpose or through the occurrence of donor specified events. The net assets released from restrictions are as follows for the years ended December 31:

	<u>2005</u>	<u>2004</u>
Time restricted	\$ 37,500	\$ -
Mentoring	2,922	9,175
Honorariums	54,700	52,500
Scholarships/ School Choice	-	36,121
Technology	<u>29,226</u>	<u>-</u>
Total	\$ <u>124,348</u>	\$ <u>97,796</u>

I. PENSION PLAN

The Institute offers a tax-sheltered Section 403(b) annuity plan to its employees, allowing them to defer a portion of their compensation on a pre-tax basis. All full-time employees are eligible for participation six months after employment begins, however, no contributions are made by the Institute to the plan.



Clare Boothe Luce Policy Institute

Notes to Financial Statements

December 31, 2005 and 2004

J. ALLOCATION OF JOINT COSTS

During 2005 and 2004, the Institute incurred joint costs of \$237,110 and \$204,738, respectively for informational materials primarily related to direct mail, house file mailings and newsletters that included fundraising appeals. Pursuant to SOP 98-2 (see Note B) these costs were allocated to the functional areas as follows for the years ended December 31:

	<u>2005</u>	<u>2004</u>
Program	\$ 162,419	\$ 124,823
Fundraising	<u>74,691</u>	<u>79,915</u>
	\$ <u>237,110</u>	\$ <u>204,738</u>

K. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash. The Organization maintains its cash accounts in commercial banks which management and the Board consider to be financially sound. Cash balances are insured by the Federal Deposit Insurance Corporation up to \$100,000 per financial institution. At December 31, 2005, uninsured balances totaled approximately \$190,000.

Included in 2005 revenue is a contribution for \$200,000 which comprises 15% of total revenue. No similar concentration existed during 2004. Current year accounts receivable is comprised of two receivables totaling 69% and 19% of total receivables, respectively; prior year accounts receivable is comprised of two receivables totaling 67% and 33% of total receivables, respectively.