



Clare Boothe Luce Policy Institute

Financial Statements
For the Years Ended
December 31, 2006 and 2005
With Independent Auditors' Report

Clare Boothe Luce Policy Institute
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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, 2006 and 2005, 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, 2006 and 2005, 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
April 23, 2007

Clare Boothe Luce Policy Institute
Statements of Financial Position
December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 305,582	\$ 224,940
Investments	53,710	2,535
Contributions receivable	79,718	65,615
Total current assets	<u>439,010</u>	<u>293,090</u>
PROPERTY, BUILDING & EQUIPMENT, net	770,146	798,279
OTHER ASSETS	<u>11,260</u>	<u>11,715</u>
	<u>\$ 1,220,416</u>	<u>\$ 1,103,084</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 4,837	\$ 15,801
Current portion of gift annuity liability	671	-
Current portion of notes payable	8,104	18,184
Total current liabilities	<u>13,612</u>	<u>33,985</u>
GIFT ANNUITY LIABILITY	19,181	-
NOTES PAYABLE	<u>214,730</u>	<u>256,913</u>
Total liabilities	247,523	290,898
NET ASSETS:		
Unrestricted	831,302	641,843
Temporarily restricted	<u>141,591</u>	<u>170,343</u>
Total net assets	<u>972,893</u>	<u>812,186</u>
	<u>\$ 1,220,416</u>	<u>\$ 1,103,084</u>

Clare Boothe Luce Policy Institute
Statements of Activities
For the Years Ended December 31, 2006 and 2005

	2006			2005		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 1,193,353	\$ 126,218	\$ 1,319,571	\$ 973,557	\$ 60,615	\$ 1,034,172
Grants	114,000	22,500	136,500	79,600	107,710	187,310
Gift annuities	19,219	-	19,219	-	-	-
Contributed investments	19,253	-	19,253	30,647	-	30,647
List rental income	16,752	-	16,752	7,864	-	7,864
Honorarium contributions	-	89,000	89,000	-	54,700	54,700
Book and tape sales	1,234	-	1,234	1,746	-	1,746
Interest income	734	-	734	86	-	86
Unrealized/realized investment gain (loss)	2,673	-	2,673	(549)	-	(549)
Other income	373	-	373	14,091	-	14,091
Net assets released from restrictions	266,470	(266,470)	-	124,348	(124,348)	-
Total support and revenue	<u>1,634,061</u>	<u>(28,752)</u>	<u>1,605,309</u>	<u>1,231,390</u>	<u>98,677</u>	<u>1,330,067</u>
EXPENSES:						
Program services:						
Public information	639,219	-	639,219	328,569	-	328,569
Special projects	419,125	-	419,125	483,883	-	483,883
Total program services	<u>1,058,344</u>	<u>-</u>	<u>1,058,344</u>	<u>812,452</u>	<u>-</u>	<u>812,452</u>
Supporting services:						
Fundraising	247,014	-	247,014	156,591	-	156,591
Management and general	138,469	-	138,469	117,510	-	117,510
Total expenses	<u>1,443,827</u>	<u>-</u>	<u>1,443,827</u>	<u>1,086,553</u>	<u>-</u>	<u>1,086,553</u>
Changes in net assets from operations	190,234	(28,752)	161,482	144,837	98,677	243,514
Change in value of annuities	(775)	-	(775)	-	-	-
CHANGE IN NET ASSETS	189,459	(28,752)	160,707	144,837	98,677	243,514
NET ASSETS, BEGINNING 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>
NET ASSETS, END OF YEAR	<u>\$ 831,302</u>	<u>\$ 141,591</u>	<u>\$ 972,893</u>	<u>\$ 641,843</u>	<u>\$ 170,343</u>	<u>\$ 812,186</u>

Clare Boothe Luce Policy Institute

Statement of Functional Expenses

For the Year Ended December 31, 2006

	Program Services			Supporting Services		Total Supporting Services	Total Expenses
	Public Information	Special Projects	Total Program Services	Fund-raising	Management & General		
Accounting and legal	\$ -	\$ -	\$ -	\$ -	\$ 16,040	\$ 16,040	\$ 16,040
Advertising	77	91	168	31	41	72	240
Bank charges	1,269	1,507	2,776	515	674	1,189	3,965
Board meetings	-	-	-	-	5,691	5,691	5,691
Computer and website services	47,417	709	48,126	243	317	560	48,686
Conferences	-	38,062	38,062	-	-	-	38,062
Consultants	1,200	1,115	2,315	612	594	1,206	3,521
Depreciation and amortization	16,327	19,389	35,716	6,633	8,674	15,307	51,023
Direct mail	296,590	-	296,590	117,007	-	117,007	413,597
Dues and subscriptions	2,023	-	2,023	-	-	-	2,023
Equipment	1,881	2,233	4,114	764	999	1,763	5,877
Fees	787	934	1,721	320	418	738	2,459
Films, books and literature	12,005	273	12,278	-	-	-	12,278
Honorariums	-	79,500	79,500	-	-	-	79,500
House file mailings	35,000	-	35,000	30,067	-	30,067	65,067
Insurance	1,213	1,441	2,654	493	645	1,138	3,792
Interest	5,436	6,455	11,891	2,208	2,887	5,095	16,986
List rental	-	-	-	-	164	164	164
Newsletters	17,732	-	17,732	2,860	-	2,860	20,592
Payroll	150,084	178,225	328,309	60,972	79,733	140,705	469,014
Payroll taxes	10,509	12,479	22,988	4,269	5,583	9,852	32,840
Photography	-	4,988	4,988	-	-	-	4,988
Postage	8,751	3,365	12,116	900	1,167	2,067	14,183
Printing	-	11,853	11,853	-	-	-	11,853
Public relations	1,379	1,638	3,017	560	733	1,293	4,310
Real estate tax	4,127	4,901	9,028	1,677	2,192	3,869	12,897
Rent and occupancy	8,051	9,560	17,611	3,271	4,276	7,547	25,158
Scholarships	-	20,000	20,000	-	-	-	20,000
Shipping and delivery	1,741	-	1,741	33	29	62	1,803
Software	927	1,107	2,028	377	493	870	2,898
Supplies and miscellaneous	2,787	3,341	6,128	1,132	4,226	5,358	11,486
Telecommunications	9,994	64	10,058	124	500	624	10,682
Travel	1,912	15,901	17,813	11,946	2,393	14,339	32,152
	<u>\$ 639,219</u>	<u>\$ 419,125</u>	<u>\$ 1,058,344</u>	<u>\$ 247,014</u>	<u>\$ 138,469</u>	<u>\$ 385,483</u>	<u>\$ 1,443,827</u>

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

	Program Services			Supporting Services		Total Supporting Services	Total Expenses
	Public Information	Special Projects	Total Program Services	Fund-raising	Management & General		
Accounting and legal	\$ -	\$ -	\$ -	\$ -	\$ 15,298	\$ 15,298	\$ 15,298
Advertising	250	651	901	150	201	351	1,252
Bank charges	656	1,706	2,362	394	524	918	3,280
Board meetings	-	-	-	-	2,085	2,085	2,085
Computer and website services	4,819	541	5,360	125	167	292	5,652
Conferences	-	47,799	47,799	-	-	-	47,799
Consultants	2,500	200	2,700	7,000	-	7,000	9,700
Depreciation and amortization	9,727	25,289	35,016	5,836	7,781	13,617	48,633
Direct mail	88,331	-	88,331	40,488	-	40,488	128,819
Dues and subscriptions	472	-	472	-	-	-	472
Equipment	207	537	744	124	165	289	1,033
Fees	247	643	890	148	198	346	1,236
Films, books and literature	21,071	129	21,200	-	-	-	21,200
Honorariums	-	83,631	83,631	-	-	-	83,631
House file mailings	53,079	-	53,079	32,588	-	32,588	85,667
Insurance	668	1,738	2,406	401	535	936	3,342
Interest	3,737	9,717	13,454	2,242	2,991	5,233	18,687
List rental	-	-	-	-	389	389	389
Newsletters	21,009	-	21,009	1,615	-	1,615	22,624
Payroll	83,240	216,423	299,663	49,944	66,591	116,535	416,198
Payroll taxes	5,856	15,227	21,083	3,514	4,685	8,199	29,282
Photography	-	5,533	5,533	-	-	-	5,533
Postage	7,899	17	7,916	800	2,515	3,315	11,231
Printing	-	14,531	14,531	-	-	-	14,531
Public relations	1,082	2,814	3,896	649	866	1,515	5,411
Real estate tax	2,594	6,745	9,339	1,557	2,076	3,633	12,972
Rent and occupancy	6,038	15,698	21,736	3,623	4,830	8,453	30,189
Scholarships	-	8,000	8,000	-	-	-	8,000
Shipping and delivery	1,358	455	1,813	65	311	376	2,189
Software	1,082	2,812	3,894	649	865	1,514	5,408
Supplies and miscellaneous	1,021	2,655	3,676	613	2,331	2,944	6,620
Telecommunications	9,395	384	9,779	384	882	1,266	11,045
Travel	2,231	20,008	22,239	3,682	1,224	4,906	27,145
	<u>\$ 328,569</u>	<u>\$ 483,883</u>	<u>\$ 812,452</u>	<u>\$ 156,591</u>	<u>\$ 117,510</u>	<u>\$ 274,101</u>	<u>\$ 1,086,553</u>

Clare Boothe Luce Policy Institute
Statements of Cash Flows
For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 160,707	\$ 243,514
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	51,023	48,633
Contributed investments	(19,253)	(30,647)
Unrealized/realized (gain) loss on marketable securities	(2,673)	549
Change in value of annuity liability	775	-
Changes in assets and liabilities affecting operations:		
Contributions receivable	(14,103)	(28,115)
Other assets	455	(10,973)
Accounts payable and accrued expenses	(10,964)	(25,157)
Net cash provided by operating activities	<u>165,967</u>	<u>197,804</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments	11,137	34,061
Purchase of investments	(40,386)	-
Purchase of property and equipment	(22,890)	(21,096)
Net cash provided by (used in) investing activities	<u>(52,139)</u>	<u>12,965</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of notes payable	(52,263)	(16,190)
Proceeds from annuities issued	20,781	-
Payments on annuities	(1,704)	-
Net cash used in financing activities	<u>(33,186)</u>	<u>(16,190)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	80,642	194,579
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>224,940</u>	<u>30,361</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 305,582</u>	<u>\$ 224,940</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid during the year	<u>\$ 16,986</u>	<u>\$ 18,687</u>

Clare Boothe Luce Policy Institute

Notes to Financial Statements

December 31, 2006 and 2005

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, 2006 and 2005, the Institute had \$141,591 and \$170,343 in temporarily restricted net assets, respectively, and no permanently restricted net assets.

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

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

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

Clare Boothe Luce Policy Institute

Notes to Financial Statements

December 31, 2006 and 2005

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, 2006 and 2005, advertising costs totaled \$240 and \$1,252, 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 2005 financial information to conform to the 2006 presentation.

C. INVESTMENTS

Investments at December 31, 2006 and 2005, consisted primarily of investments in stock and stock mutual funds totaling \$53,710 and \$2,535, respectively. For the years ended December 31, 2006 and 2005, investment return consisted of \$2,673 and \$(549), respectively, of net realized and unrealized gains/ (losses) related to investment activity.

D. CONTRIBUTIONS RECEIVABLE

Contributions receivable are comprised of bequests and grants totaling \$79,718 and \$65,615 as of December 31, 2006 and 2005, respectively. All receivables 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, 2006 and 2005

E. PROPERTY, BUILDING AND EQUIPMENT

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

	<u>2006</u>	<u>2005</u>
Land	\$ 87,085	\$ 87,085
Buildings and improvements	700,097	696,897
Furniture and fixtures	140,904	137,557
Machinery and equipment	<u>91,818</u>	<u>75,475</u>
	1,019,904	997,014
Less: accumulated depreciation	<u>(249,758)</u>	<u>(198,735)</u>
	\$ <u>770,146</u>	\$ <u>798,279</u>

Depreciation expense for the years ended December 31, 2006 and 2005, was \$51,023 and \$48,633, respectively.

F. NOTES PAYABLE

Outstanding notes payable are as follows at December 31:

	<u>2006</u>	<u>2005</u>
\$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
\$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>222,834</u>	<u>230,759</u>
	222,834	275,097
Less: current portion	<u>(8,104)</u>	<u>(18,184)</u>
	\$ <u>214,730</u>	\$ <u>256,913</u>

Clare Boothe Luce Policy Institute

Notes to Financial Statements

December 31, 2006 and 2005

F. NOTES PAYABLE (CONTINUED)

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

2007	\$	8,104
2008		<u>214,730</u>
	\$	<u><u>222,834</u></u>

G. TEMPORARILY RESTRICTED NET ASSETS

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

	2006	2005
Calendar project	\$ 6,833	\$ -
Honorariums	9,500	-
Mentoring	38,014	36,244
Technology	7,526	68,484
Time restricted	<u>79,718</u>	<u>65,615</u>
Total	\$ <u>141,591</u>	\$ <u>170,343</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:

	2006	2005
Calendar	\$ 23,167	\$ -
Choice scholarships/school choice	15,000	-
Honorariums	79,500	54,700
Internships	15,000	-
Mentoring	5,730	2,922
Speaking engagements	1,500	-
Technology	60,958	29,226
Time restricted	<u>65,615</u>	<u>37,500</u>
Total	\$ <u>266,470</u>	\$ <u>124,348</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, 2006 and 2005

J. ALLOCATION OF JOINT COSTS

During 2006 and 2005, the Institute incurred joint costs of \$499,256 and \$237,110, 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>2006</u>	<u>2005</u>
Program	\$ 349,323	\$ 162,419
Fundraising	<u>149,933</u>	<u>74,691</u>
	<u>\$ 499,256</u>	<u>\$ 237,110</u>

K. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Institute to concentrations of credit risk consist primarily of cash. The Institute maintains its cash accounts in commercial banks which management and the Board consider to be financially sound. Cash balances are insured by the Federal Deposit Insurance Corporation up to \$100,000 per financial institution. At December 31, 2006 and 2005, uninsured balances totaled approximately \$215,000 and \$190,000, respectively.

Included in 2005 revenue is a contribution for \$200,000 which comprised 15% of total revenue. No similar concentration existed during 2006. Current year accounts receivable is comprised of one receivable totaling 100% of total receivables; prior year accounts receivable is comprised of two receivables totaling 69% and 19% of total receivables, respectively.