The Fund for American Studies and Affiliate

Consolidated Financial Report
December 31, 2014

Contents

McGladrey

Independent Auditor's Report

To the Board of Trustees
The Fund for American Studies
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Fund for American Studies and Affiliate (the Fund) which comprise the consolidated balance sheet as of December 31, 2014, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Fund's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 17, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McGladrey LLP

Washington, D.C.
June 17, 2015

The Fund for American Studies and Affiliate

Consolidated Balance Sheet
December 31, 2014
(With Comparative Totals for 2013)

	2014	2013
Assets		
Cash and Cash Equivalents	**$ 1,502,126**	$ 1,079,920
Accounts Receivable	**145,289**	247,876
Promises to Give, Net	**1,035,908**	1,159,544
Prepaid Expenses	**306,065**	366,993
Property and Equipment, Net	**6,104,387**	6,335,214
Investments	**14,798,514**	15,491,854
Deposits	**250,000**	450,000
Cash Surrender Value – Life Insurance	**22,999**	21,965
	$ 24,165,288	$ 25,153,366
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	**$ 558,596**	$ 610,589
Deferred revenue	**99,055**	162,977
Capital lease obligations	**77,219**	105,188
Notes payable	**5,042,585**	5,042,585
	5,777,455	5,921,339
Commitments (Notes 12 and 13)		
Net Assets		
Unrestricted		
Undesignated	**989,711**	1,034,533
Board designated	**14,085,685**	15,617,955
	15,075,396	16,652,488
Temporarily restricted	**3,274,095**	2,544,362
Permanently restricted	**38,342**	35,177
	18,387,833	19,232,027
	$ 24,165,288	$ 25,153,366

See Notes to Consolidated Financial Statements.

The Fund for American Studies and Affiliate

Consolidated Statement of Activities

Year Ended December 31, 2014

(With Comparative Totals for 2013)

	2014				2013
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Total
Revenue and Support					
Tuition, registration, housing and other fees	**$ 4,189,370**	**$ -**	**$ -**	**$ 4,189,370**	$ 4,000,240
Less scholarships granted	**(1,601,443)**	**-**	**-**	**(1,601,443)**	(1,406,275)
	2,587,927	**-**	**-**	**2,587,927**	2,593,965
Contributions	**3,835,150**	**2,653,952**	**-**	**6,489,102**	6,697,954
Conference income	**30,105**	**-**	**-**	**30,105**	21,795
Other income	**168,872**	**-**	**-**	**168,872**	116,032
Net assets released from restrictions	**2,025,447**	**(2,025,447)**	**-**	**-**	-
Total revenue and support	**8,647,501**	**628,505**	**-**	**9,276,006**	9,429,746
Expenses					
Program services:					
Engalitcheff Institute on Comparative Political and Economic Systems	**695,336**	**-**	**-**	**695,336**	711,863
Institute on Political Journalism	**644,259**	**-**	**-**	**644,259**	672,912
Institute on Business and Government Affairs	**602,963**	**-**	**-**	**602,963**	667,945
Institute on Economics and International Affairs	**548,562**	**-**	**-**	**548,562**	515,854
Institute on Philanthropy and Voluntary Service	**438,811**	**-**	**-**	**438,811**	569,341
Legal Studies Institute	**414,482**	**-**	**-**	**414,482**	385,632
Capital Semester	**1,171,433**	**-**	**-**	**1,171,433**	985,041
Foundation for Teaching Economics	**2,152,969**	**-**	**-**	**2,152,969**	2,415,741
American Institute on Political and Economic Systems	**479,132**	**-**	**-**	**479,132**	522,311
Asia Institute for Political Economy	**329,081**	**-**	**-**	**329,081**	439,247
Tisdale Program	**35,910**	**-**	**-**	**35,910**	-
Alumni Program	**206,178**	**-**	**-**	**206,178**	-
Other programs	**271,983**	**-**	**-**	**271,983**	390,526
Novak Journalism Fellows Program	**529,411**	**-**	**-**	**529,411**	385,847
Institute for Leadership in the Americas	**315,960**	**-**	**-**	**315,960**	298,840
	8,836,470	**-**	**-**	**8,836,470**	8,961,100
Supporting services:					
General and administrative	**803,849**	**-**	**-**	**803,849**	776,652
Fundraising	**1,379,495**	**-**	**-**	**1,379,495**	1,309,376
Total expenses	**11,019,814**	**-**	**-**	**11,019,814**	11,047,128
Change in net assets before investment income and other gains (losses)	**(2,372,313)**	**628,505**	**-**	**(1,743,808)**	(1,617,382)
Investment Income	**795,221**	**101,228**	**3,165**	**899,614**	2,343,464
Gain on Acquisition of FTE	**-**	**-**	**-**	**-**	698,324
Loss on Acquisition of RNJFP	**-**	**-**	**-**	**-**	(79,839)
Change in net assets	**(1,577,092)**	**729,733**	**3,165**	**(844,194)**	1,344,567
Net Assets					
Beginning	**16,652,488**	**2,544,362**	**35,177**	**19,232,027**	17,887,460
Ending	**$ 15,075,396**	**$ 3,274,095**	**$ 38,342**	**$ 18,387,833**	$ 19,232,027

See Notes to Consolidated Financial Statements.

The Fund for American Studies and Affiliate

Consolidated Statement of Functional Expenses
Year Ended December 31, 2014
(With Comparative Totals for 2013)

	2014							
	Program Services							
	ICPES	IEIA	IPJ	NJFP	IBGA	IPVS	AIPES	AIPE
Salaries	$ 142,325	$ 132,574	$ 169,879	$ 202,699	$ 157,489	$ 135,539	$ 129,357	$ 92,129
Faculty salaries	26,500	28,000	58,500	-	31,500	26,000	23,100	9,347
Events	21,946	15,216	33,200	365	81,061	16,982	21,841	11,984
Student housing	205,257	151,508	149,258	-	131,031	102,493	34,070	25,379
Payroll taxes and benefits	23,555	21,005	28,796	25,783	26,035	23,978	23,726	17,206
Student recruitment	39,504	25,139	28,730	-	27,358	21,547	5,473	416
Bank fees	4,828	3,219	3,621	487	3,219	2,414	5,321	3,274
University overhead	74,783	60,934	49,855	-	38,776	30,467	19,036	22,793
Depreciation	-	-	-	-	-	-	-	-
Professional fees	30,379	20,253	22,785	8,632	20,253	15,190	32,911	20,253
Meetings and conferences	22,453	15,008	17,376	100,100	14,882	11,162	24,183	14,882
Travel	8,576	11,895	7,129	778	6,086	4,274	43,176	34,055
Meals	-	-	-	-	-	-	11,998	13,025
Other	-	-	-	-	-	-	-	-
Books and subscriptions	-	-	-	-	450	-	270	27
Facility costs	50,417	33,611	37,813	4,201	33,611	25,208	54,618	33,611
Printing	5,146	3,467	6,750	1,589	3,709	2,573	6,641	3,584
Telephone	3,097	2,065	2,350	258	2,126	1,549	4,523	2,946
Grants	-	-	-	-	-	-	-	-
Equipment	24,572	16,382	18,429	2,048	16,382	12,286	26,620	16,382
Postage	1,802	1,202	1,352	685	1,202	901	2,743	1,248
Internet access and web pages	2,209	1,473	1,657	304	1,473	1,104	3,268	1,945
Photography	3,182	2,407	3,151	35	3,116	2,742	457	539
Supplies	1,486	991	1,138	124	991	743	2,134	1,843
Alumni programs	-	-	-	-	-	-	-	-
Marketing and sponsorships	2,885	1,923	2,164	240	1,923	1,442	3,125	1,923
Delivery	434	290	326	415	290	217	541	290
Eben Tisdale scholarships	-	-	-	-	-	-	-	-
Novak Fellowship Grants	-	-	-	152,950	-	-	-	-
Novak Fellowship Expense accounts	-	-	-	27,718	-	-	-	-
Direct mail campaign	-	-	-	-	-	-	-	-
	$ 695,336	$ 548,562	$ 644,259	$ 529,411	$ 602,963	$ 438,811	$ 479,132	$ 329,081

See Notes to Consolidated Financial Statements.

The Fund for American Studies and Affiliate

Consolidated Statement of Functional Expenses (Cont'd)
Year Ended December 31, 2014
(With Comparative Totals for 2013)

2014											
Program Services								Supporting Services			
ILA	LSI	Capital Semester	FTE	Tisdale	Alumni	Other Programs	Total	General and Administrative	Fundraising	Total	2013 Total
$ 103,220	$ 108,907	$ 186,450	$ 361,046	$ 13,397	$ 85,821	$ 94,303	$ 2,115,135	$ 110,699	$ 596,441	$ 2,822,275	$ 2,887,836
5,000	17,500	61,000	-	-	-	-	286,447	-	-	286,447	300,619
6,764	5,016	14,716	723,723	453	365	2,390	956,022	1,855	2,803	960,680	334,118
43,890	140,219	494,408	-	-	-	-	1,477,513	174,725	-	1,652,238	1,583,087
16,572	17,716	29,742	238,063	1,871	12,116	19,294	525,458	71,521	146,255	743,234	784,721
2,778	22,252	17,956	-	-	-	-	191,153	-	-	191,153	196,257
3,219	2,414	2,414	1,205	-	402	805	36,842	2,605	2,412	41,859	36,552
9,394	20,000	288,530	-	-	-	-	614,568	-	-	614,568	615,837
-	-	-	11,556	-	-	-	11,556	248,761	1,724	262,041	262,129
20,253	15,190	15,190	398,770	-	2,532	5,063	627,654	79,914	91,927	799,495	857,995
14,882	11,732	11,162	47,694	-	73,885	128,307	507,708	9,301	9,301	526,310	1,092,287
21,896	7,289	3,547	212,868	189	1,817	1,288	364,863	9,764	42,004	416,631	469,180
4,526	-	-	-	-	-	-	29,549	-	-	29,549	30,509
-	-	-	471	20,000	-	4,380	24,851	2,942	5,558	33,351	16,561
446	-	-	2,029	-	-	-	3,222	-	2,974	6,196	13,094
33,611	25,208	25,208	28,033	-	4,202	8,403	397,755	46,263	40,637	484,655	518,051
3,431	2,573	2,650	21,682	-	457	858	65,110	4,553	40,045	109,708	106,373
2,284	1,562	1,549	8,611	-	308	516	33,744	5,943	8,426	48,113	56,025
-	-	-	-	-	-	708	708	-	-	708	1,050
16,382	12,286	12,286	7,280	-	2,048	4,095	187,478	13,231	14,477	215,186	185,577
1,202	901	901	52,226	-	351	300	67,016	1,316	47,484	115,816	95,479
1,875	1,104	1,104	368	-	184	368	18,436	920	920	20,276	67,989
281	211	218	70	-	35	70	16,514	176	178	16,868	18,017
1,785	743	743	36,721	-	124	248	49,814	4,852	4,440	59,106	77,293
-	-	-	-	-	21,255	-	21,255	-	-	21,255	23,191
1,923	1,442	1,442	481	-	240	481	21,634	14,327	1,202	37,163	18,924
346	217	217	78	-	36	106	3,803	181	208	4,192	3,781
-	-	-	-	-	-	-	-	-	-	-	30,600
-	-	-	-	-	-	-	152,950	-	-	152,950	48,000
-	-	-	-	-	-	-	27,718	-	-	27,718	9,061
-	-	-	-	-	-	-	-	-	320,079	320,079	306,935
$ 315,960	$ 414,482	$ 1,171,433	$ 2,152,975	$ 35,910	$ 206,178	$ 271,983	$ 8,836,476	$ 803,849	$ 1,379,495	$ 11,019,820	$ 11,047,128

The Fund for American Studies and Affiliate

Consolidated Statement of Cash Flows
Year Ended December 31, 2014
(With Comparative Totals for 2013)

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	**$ (844,194)**	$ 1,344,567
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Gain on acquisition of FTE	**-**	(698,324)
Depreciation	**262,041**	262,129
Realized and unrealized gains on investments	**(730,159)**	(1,811,515)
Loss on disposal of property and equipment	**-**	31,649
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	**102,587**	(216,842)
Promises to give	**123,636**	(689,102)
Accrued interest receivable	**-**	-
Prepaid expenses	**60,928**	(18,513)
Deposits	**200,000**	-
Increase (decrease) in:		
Accounts payable and accrued expenses	**(51,993)**	27,602
Deferred revenue	**(63,922)**	54,866
Net cash used in operating activities	**(941,076)**	(1,713,483)
Cash Flows From Investing Activities		
Purchases of property and equipment	**(31,214)**	(41,208)
Increase in cash surrender value of life insurance	**(1,034)**	(1,015)
Cash received from acquisition of affiliate	**-**	241,897
Proceeds from sales of investments	**2,999,244**	2,989,719
Purchases of investments	**(1,575,745)**	(748,179)
Net cash provided by investing activities	**1,391,251**	2,441,214
Cash Flows From Financing Activities		
Principal payments on capital lease	**(27,969)**	(47,879)
Net cash used in financing activities	**(27,969)**	(47,879)
Net increase in cash and cash equivalents	**422,206**	679,852
Cash and Cash Equivalents		
Beginning	**1,079,920**	400,068
Ending	**$ 1,502,126**	$ 1,079,920
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	**$ 255,582**	$ 288,332

See Notes to Consolidated Financial Statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Fund for American Studies and Affiliate (the Fund) is comprised of two entities: The Fund for American Studies (TFAS) and the Foundation for Teaching Economics (FTE).

TFAS was originally incorporated in the District of Columbia on February 6, 1967, as the Charles Edison Youth Fund. The Fund currently operates education programs for selected college students from all parts of the country and around the world. These institutes are: Engalitcheff Institute on Comparative Political and Economic Systems, Institute on Political Journalism, Institute on Business and Government Affairs, American Institute on Political and Economic Systems, International Institute for Political and Economic Studies, Institute on Philanthropy and Voluntary Service, Legal Studies Institute, Asia Institute for Political Economy, and Institute for Leadership in the Americas. Four of these institutes are held outside of the United States. In addition, the Fund operates Spring and Fall Capital Semester programs and organizes conferences for students and young professionals.

FTE was organized for the purpose of introducing young individuals, selected for their leadership potential, to an economic way of thinking about national and international issues and to promote excellence in economic education by helping teachers of economics become more effective educators.

A summary of the Fund's significant accounting policies follows:

Basis of accounting: The consolidated financial statements have been prepared on the accrual basis of accounting, whereby, revenue is recognized when earned, unconditional support is recognized when received, and expenses are recognized when incurred.

Basis of consolidation: The accompanying consolidated financial statements include the accounts of TFAS and FTE. All significant intercompany accounts and transactions have been eliminated for consolidation.

Basis of presentation: The consolidated financial statement presentation follows the recommendations under the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under this ASC, the Fund is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Fund pursuant to those stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the Fund's actions. The Fund's permanently restricted net assets consist of a beneficial interest in a split-interest agreement.

Cash and cash equivalents: The Fund considers all short-term money market accounts to be cash equivalents. All cash and investments, regardless of maturity, held by the investment advisor are considered investments.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Financial risk: The Fund maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Fund has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk on cash.

The Fund invests in a professionally managed portfolio that contains money market funds, bonds and fixed income and equity mutual funds. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

Accounts receivable: Receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management believes accounts receivable are fully collectible and no provision for doubtful receivables is necessary. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days.

Promises to give: Unconditional promises to give are recognized as revenue in the period the promise is made. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give are carried at original amount promised less an estimate made for doubtful promises based on a review of all outstanding promises on a monthly basis. Management determines the allowance for doubtful promises by regularly evaluating individual promises to give and considering prior history of donors and proven collectibility of past donations. Promises to give are written off when deemed uncollectible. Recoveries of promises to give previously written off are recorded when received. Management believes promises to give were fully collectible and no provision for doubtful promises to give was necessary at December 31, 2014.

Property and equipment: The Fund capitalizes all property and equipment with a cost greater than or equal to $1,000. Property and equipment are recorded at historical cost, and depreciation is provided on a straight-line basis over the estimated useful lives of 3 to 31 years.

Valuation of long-lived assets: Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are reflected at fair market value. To adjust the carrying values of these securities, the change in fair market value is charged or credited to current operations.

Board designated net assets: Board designated net assets represent unrestricted net assets that the Board of Directors has earmarked for specific purposes.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Revenue and support: The Fund reports contributions as temporarily restricted support if they are received with donor or grantor 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 reported in the consolidated statement of activities as net assets released from restrictions.

The Fund recognizes income from bequests and contributions in the year the promise to give becomes unconditional. The Fund records donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted revenue.

Income from tuition, registrations, housing and other fees for the institutes is recognized as revenue when the respective institute is held. The tuition for students who receive reduced or waived tuition (internally designated as scholarships by the Fund) is recorded in the accompanying consolidated statement of activities as tuition remissions. Income received in advance is recorded as deferred revenue.

Income from investments is recognized as earned. Investment income includes interest, dividends and realized gains and losses on investment transactions. Since all investments are carried at fair value, the net change in the fair value of investments is recognized as an unrealized gain or loss on investments.

Annuities payable: Charitable Gift Annuities are unrestricted irrevocable gifts, under which the Fund agrees in turn to pay a life annuity to the donor or designated beneficiary. The contributed funds and the attendant liabilities immediately become part of the general assets and liabilities of the Fund, subject to the Fund maintaining an actuarial reserve in accordance with District of Columbia law.

The Fund initially values deferred gifts of cash at face value and those of equities at market value; these values are then actuarially discounted. Published Internal Revenue Service discount rates are employed to determine the net present value of both contributions and liabilities pertaining to these deferred giving arrangements.

Functional expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but that provide for the overall support and direction of the Fund.

Income taxes: TFAS and FTE are generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the entities qualify for charitable contribution deductions and have been classified as organizations that are not private foundations. Income from certain activities not directly related to the Fund's exempt purpose, less applicable deductions, is subject to taxation as unrelated business income. For the year ended December 31, 2014, the Fund had no net unrelated business income.

The Fund may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Fund had no such tax positions recorded in the consolidated financial statements at December 31, 2014. Generally, the Fund is no longer subject to U.S. federal income tax positions by tax authorities for years before 2011.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Use of estimates: The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Prior year information: The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Fund's consolidated financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Subsequent events: The Fund evaluated subsequent events through June 17, 2015, which is the date the consolidated financial statements were available to be issued.

Note 2. Related Party Transactions

During the year ended December 31, 2014, the Fund's chairman, via his law firm, Vorys, Sater, Seymour & Pease, provided consulting services to the Fund under a services agreement. Total expenses under this agreement were $95,000, plus reimbursable expenses of $31,339. Accounts payable due to the chairman's law firm for these services were $18,643 at December 31, 2014. In addition, the law firm recorded an additional $322,455 in professional services time by the chairman on behalf of the Fund, which was not billed to or payable by the Fund.

In addition, the Fund paid $24,000 in compensation for services (speaking and advising) provided by a Trustee, Fred Barnes, who has served as a senior fellow since 1992 and was elected to the Board of Trustees in April 2003.

Note 3. Promises to Give

Promises to give at December 31, 2014, consist of the following:

Amounts due in	
Less than one year	$ 938,820
One to four years	100,000
	1,038,820
Less unamortized discount at 1.5%	2,912
	$ 1,035,908

Note 4. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2014, and depreciation expense for the year ended December 31, 2014, are as follows:

	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation
Buildings	31 years	$ 4,920,427	$ (1,509,162)	$ 3,411,265	$ 163,163
Furniture and equipment	3 to 10 years	1,651,772	(1,285,673)	366,099	98,878
Land	–	2,327,023	-	2,327,023	-
		$ 8,899,222	$ (2,794,835)	$ 6,104,387	$ 262,041

Note 5. Investments

Investments at December 31, 2014, consist of the following:

Equity funds	$ 10,144,828
Fixed income funds	3,465,818
Cash and money market accounts	1,122,361
Beneficial interest in trust	38,342
Corporate bonds	27,165
	$ 14,798,514

Investment income for the year ended December 31, 2014, consists of the following:

Interest and dividends	$ 187,707
Management fees	(18,252)
	169,455
Realized and unrealized gains on investments	730,159
	$ 899,614

Note 6. Annuities Payable

The Fund has received annuity gifts, whereby the donors have contributed assets to the Fund in exchange for the right to receive a fixed-dollar annual return during their lifetime.

The fair value of the annuity gifts over the present value of the liabilities for future payments, determined on an actuarial basis, has been recognized as contributions at the dates of the gifts.

Note 6. Annuities Payable (Continued)

The assets and corresponding liabilities (including payments currently due and the present value of the estimated future actuarial liability to annuitants, reported in accounts payable and accrued expenses) of the gift annuity at December 31, 2014, are as follows:

Investments	$	291,196
Annuity payable (included with accounts payable and accrued expenses)	$	93,120

Note 7. Capital Lease Obligations

The Fund entered into equipment leasing agreements that qualify for capital lease treatment. The aggregate cost and accumulated depreciation of the equipment approximated $142,200 and $41,300, respectively, at December 31, 2014, and the depreciation expense of the leased asset amounted to approximately $28,400 for the year ended December 31, 2014.

Future minimum lease payments remaining are as follows:

Year Ending December 31,		
2015	$	26,168
2016		19,320
2017		19,320
2018		18,382
		83,190
Less the amount representing interest		(5,971)
	$	77,219

Note 8. Notes Payable

The Fund has a $3,600,000 loan, which was used to purchase a new building. The note bears a fixed annual interest rate of 6.95% through June 14, 2017, with interest-only payable monthly. Principal is due on demand. If the Fund repays any principal prior to the last day of the relevant interest period, the Fund may incur prepayment penalties as imposed by the lender. The note is generally collateralized by all assets of the Fund, not limited to cash and securities held by the financial institution.

The Fund also obtained a $1.5 million construction demand line of credit to renovate its buildings. The note is generally collateralized by all assets of the Fund, not limited to cash and securities held by the financial institution. The interest rate in effect is the greater of 90-day LIBOR plus 1.50%. LIBOR is the London InterBank Offered Rate for 3, 6, or 12 months (as selected by the Fund). The loan balance at December 31, 2014, was $1,442,585.

Note 9. Board Designated Net Assets

Board designated net assets at December 31, 2014, consist of the following:

Engalitcheff Endowment Fund	$ 10,887,627
Freedom Center Building Fund	1,678,593
David R. and Corinne Watt Jones Scholarship Fund	1,027,141
George Viksnins Scholarship Fund	136,320
Manuela Strong Endowment Fund	62,023
Fred Barnes Scholarship Fund	40,315
Steve and Eileen Berlin Scholarship Fund	34,502
Don and Martha Sundquist Scholarship Fund	31,929
Randal C. Teague Scholarship Fund	73,548
Don Lavoie Scholarship Fund	26,221
Kevin Burket Memorial Scholarship Fund	41,860
Roger Ream Scholarship Fund	19,646
Other Scholarship Funds	25,960
	$ 14,085,685

The endowments' return objective and risk parameters: The Fund considers all board designated net assets to be quasi-endowments with an objective of capital preservation and purchasing power protection consistent with the promotion of the long-term financial stability of the Fund. Achievement of this goal will be measured over three-year rolling periods, as well as a complete market cycle. The total return of the portfolio over a complete market cycle should exceed inflation by 5%. A strategic asset allocation policy for the portfolio has been established, based on the belief that individual asset classes exhibit differing behavior under various market conditions and that a multi-asset class portfolio will result in a portfolio with superior risk and return characteristics. This strategic plan for investing the portfolio assets has been established with a time horizon of ten years and will be reviewed each year to determine if it should be modified given existing changes in either the Fund's needs or the long-term prospects for the capital markets.

Spending policy: The Fund's annual spending is defined as approximately 5% of the trailing 12-quarter (three-year) market value of the quasi-endowment.

A reconciliation of the endowments for the year ended December 31, 2014, is as follows:

Endowment net assets, beginning of year	$ 15,617,955
Contributions	32,814
Investment income	934,627
Appropriation of endowment assets for expenditure	(1,510,000)
Endowment net assets, end of year	$ 15,075,396

Note 10. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2014, and additions and net assets released from restrictions for the year ended December 31, 2014, consist of the following:

	Balance December 31, 2013	Contributions and Investment Income	Releases	Balance December 31, 2014
Purpose Restricted				
Dixie Davis Scholarship Fund	$ 94,883	$ 5,483	$ (3,500)	$ 96,866
Patt Patterson Scholarship Fund	25,617	1,754	-	27,371
Dell Thurmond Woodard Fellowship	138,282	7,757	(8,995)	137,044
Fred and Georganna Long Scholarship Fund	342,840	19,670	(15,000)	347,510
Hunter Hunt Scholarship Fund	175,066	9,988	(8,600)	176,454
Ignacy Jan Paderewski Scholarship Fund	71,059	31,100	(9,995)	92,164
Reach Your Peak Scholarship Fund	29,730	1,783	-	31,513
James Mrazek Scholarship Fund	180,859	10,309	(9,043)	182,125
Alan and Rella Bates Scholarship Fund	181,611	27,515	(5,700)	203,426
David Martin Scholarship Fund	55,167	8,445	(2,758)	60,854
Other scholarships	579,026	1,739,723	(1,497,640)	821,109
Eben Tisdale Fellowship	377,413	45,386	(44,975)	377,824
Neal B. Freeman Lecture Fund	-	100,000	-	100,000
FTE Programs	280,300	546,267	(398,800)	427,767
Time Restricted				
Promises to give	12,509	200,000	(20,441)	192,068
	$ 2,544,362	$ 2,755,180	$ (2,025,447)	$ 3,274,095

Note 11. Permanently Restricted Net Assets

Permanently restricted net assets are subject to donor-imposed restrictions requiring that the principal be invested in perpetuity. Permanently restricted net assets at December 31, 2014, consisted of a split-interest agreement called the H.L. Harris Endowment (the Endowment). George Mason University holds the assets of the Endowment in an agency capacity for the sole benefit of the Fund. The value of the Endowment was $38,342 at December 31, 2014.

Note 12. Commitments

The Fund has entered into a lease agreement for student housing space through July 2016. The future minimum lease payments under the operating lease agreements are as follows:

Year Ending December 31,		
2015	$	736,045
2016		247,359
	$	983,404

The Fund also entered into an agreement with a University, effective October 2012, for three years to collaborate with the Fund on the delivery of high quality courses in the arts and humanities. This contract required the Fund to advance $450,000 to cover start-up costs, etc. This advance was reduced during the year by $200,000; $250,000 will remain on deposit with the University throughout the term of the agreement.

Note 13. Retirement Plan

TFAS' employees are eligible to participate in The Fund for American Studies Defined Contribution and Retirement Plan (the Plan), as long as they are salaried employees. Employees can make voluntary tax-deferred contributions up to specified limits. The Fund matches 100% of the first 3% of salary deferred and 50% of the next 2% of salary deferred, after the employee completes one year of service. In addition, the Fund makes an employer-elected contribution to employees. The Fund's total contribution to the Plan was $70,437 for the year ended December 31, 2014.

TFAS also established a 457(b) deferred compensation plan for its President in 2011. No contributions were made for the year ended December 31, 2014.

FTE maintains a retirement plan (the FTE Plan), under Internal Revenue Section 403(b), that is available to all active employees of FTE. FTE contributes to the FTE Plan at a rate of 10% of the employee's total compensation. Total contributions to the FTE Plan charged to expense were $49,077 for the year ended December 31, 2014.

Note 14. Fair Value Measurements

The Fund follows the Fair Value Measurement Topic of the ASC. This topic establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. The topic applies to all assets and liabilities that are being measured and reported on a fair value basis. The topic requires new disclosure that establishes a framework for measuring fair value in GAAP and expands disclosure about fair value measurements. This topic enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The topic requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1 Quoted market prices in active markets for identical assets or liabilities.
- Level 2 Observable market-based inputs or unobservable inputs corroborated by market data.
- Level 3 Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Fund performs a detailed analysis of the assets and liabilities that are subject to the topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Note 14. Fair Value Measurements (Continued)

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy at December 31, 2014:

	Total	Level 1	Level 2	Level 3
Financial Assets				
Equity securities:				
Large Blend	$ 8,036,311	$ 8,036,311	$ -	$ -
Foreign Large Blend	857,684	857,684	-	-
Mid-Cap Blend	615,310	615,310	-	-
Pacific/Asia ex-Japan Stk	391,758	391,758	-	-
Large Growth	88,445	88,445	-	-
Financial securities	65,071	65,071	-	-
Moderate Allocation	26,496	26,496	-	-
Large Value	22,923	22,923	-	-
Foreign Large Growth	21,694	21,694	-	-
Mid-Cap Growth	11,080	11,080	-	-
Small Growth	8,056	8,056	-	-
	10,144,828	10,144,828	-	-
Fixed Income Securities				
Ultrashort bond	2,612,553	2,612,553	-	-
Intermediate term bond	819,678	819,678	-	-
Short term bond	33,587	33,587	-	-
Corporate bonds (a)	27,165	-	27,165	-
	3,492,983	3,465,818	27,165	-
Money Market Accounts	1,122,361	1,122,361	-	-
Beneficial Interest in Trust	38,342	-	-	38,342
	$ 14,798,514	$ 14,733,007	$ 27,165	$ 38,342
Financial Liabilities				
Deferred compensation	$ 38,782	$ -	$ 38,782	$ -

(a) Based on its analysis of the nature and risk of these investments, the Fund has determined that presenting them as a single class is appropriate.

Equity securities, multi-strategy bond funds and money market accounts are classified as Level 1 instruments, as they are actively traded on public exchanges. Corporate bonds are priced based on their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full term of the instruments, and are therefore, considered Level 2 items. The Fund’s deferred compensation is based on observable inputs of the related assets and is, therefore, considered a Level 2 item.

McGladrey

Independent Auditor's Report
on the Supplementary Information

To the Board of Trustees
The Fund for American Studies
Washington, D.C.

We have audited the consolidated financial statements of The Fund for American Studies and Affiliate (the Fund) as of and for the year ended December 31, 2014, and have issued our report thereon, which contained an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating information is presented for purposes of additional analysis rather than to present the financial position and results of activities of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

McGladrey LLP

Washington, D.C.
June 17, 2015

The Fund for American Studies and Affiliate

Consolidating Balance Sheet
December 31, 2014

	TFAS	FTE	Eliminations	Total
Assets				
Cash and Cash Equivalents	$ 374,889	$ 1,127,237	$ -	$ 1,502,126
Accounts Receivable	192,537	22,697	(69,945)	145,289
Promises to Give, Net	621,372	414,536	-	1,035,908
Prepaid Expenses	254,865	51,200	-	306,065
Property and Equipment, Net	6,080,564	23,823	-	6,104,387
Investments	14,733,485	65,029	-	14,798,514
Deposits	250,000	-	-	250,000
Cash Surrender Value – Life Insurance	22,999	-	-	22,999
	$ 22,530,711	$ 1,704,522	$ (69,945)	$ 24,165,288
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	$ 348,345	$ 280,196	$ (69,945)	$ 558,596
Deferred revenue	99,055	-	-	99,055
Capital lease obligations	70,371	6,848	-	77,219
Notes payable	5,042,585	-	-	5,042,585
	5,560,356	287,044	(69,945)	5,777,455
Net Assets				
Unrestricted				
Undesignated	-	989,711	-	989,711
Board designated	14,085,685	-	-	14,085,685
	14,085,685	989,711	-	15,075,396
Temporarily restricted	2,846,328	427,767	-	3,274,095
Permanently restricted	38,342	-	-	38,342
	16,970,355	1,417,478	-	18,387,833
	$ 22,530,711	$ 1,704,522	$ (69,945)	$ 24,165,288

The Fund for American Studies and Affiliate

Consolidating Statement of Activities

Year Ended December 31, 2014

	TFAS	FTE	Eliminations	Total
Revenue and Support				
Tuition, registration, housing and other fees	$ 3,701,042	$ 488,328	$ -	$ 4,189,370
Less scholarships granted	(1,601,443)	-	-	(1,601,443)
	2,099,599	488,328	-	2,587,927
Contributions	3,851,289	2,637,813	-	6,489,102
Conference income	30,105	-	-	30,105
Other income	238,817	-	(69,945)	168,872
Net assets released from restrictions	-	-	-	-
Total revenue and support	6,219,810	3,126,141	(69,945)	9,276,006
Expenses				
Program services:				
Engalitcheff Institute on Comparative Political and Economic Systems	695,336	-	-	695,336
Institute on Political Journalism	644,259	-	-	644,259
Institute on Business and Government Affairs	602,963	-	-	602,963
Institute on Economics and International Affairs	548,562	-	-	548,562
Institute on Philanthropy and Voluntary Service	438,811	-	-	438,811
Legal Studies Institute	414,482	-	-	414,482
Capital Semester	1,171,433	-	-	1,171,433
Foundation for Teaching Economics	109,031	2,043,938	-	2,152,969
American Institute on Political and Economic Systems	479,132	-	-	479,132
Asia Institute for Political Economy	329,081	-	-	329,081
Tisdale	35,910	-	-	35,910
Alumni	206,178	-	-	206,178
Other programs	271,983	-	-	271,983
Novak Journalism Fellows Program	529,411	-	-	529,411
Institute for Leadership in the Americas	315,960	-	-	315,960
	6,792,532	2,043,938	-	8,836,470
Supporting services:				
General and administrative	561,068	312,726	(69,945)	803,849
Fundraising	1,078,888	300,607	-	1,379,495
Total expenses	8,432,488	2,657,271	(69,945)	11,019,814
Change in net assets before investment income and other (losses) gains	(2,212,678)	468,870	-	(1,743,808)
Investment Income	898,023	1,591	-	899,614
Change in net assets	(1,314,655)	470,461	-	(844,194)
Net Assets				
Beginning	18,285,010	947,017	-	19,232,027
Ending	$ 16,970,355	$ 1,417,478	$ -	$ 18,387,833