

The Fund for American Studies and Affiliate

Consolidated Financial Report
December 31, 2015

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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, 2015, 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 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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 17, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Washington, D.C.
August 8, 2016

The Fund for American Studies and Affiliate

**Consolidated Balance Sheet
December 31, 2015
(With Comparative Totals for 2014)**

	2015	2014
Assets		
Cash and cash equivalents	\$ 2,424,838	\$ 1,502,126
Accounts receivable	34,274	145,289
Promises to give, net	875,289	1,035,908
Prepaid expenses	258,802	306,065
Property and equipment, net	5,974,302	6,104,387
Investments	13,131,295	14,798,514
Deposits	250,000	250,000
Cash surrender value – life insurance	24,075	22,999
	<hr/>	<hr/>
Total assets	\$ 22,972,875	\$ 24,165,288
	<hr/>	<hr/>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 303,812	\$ 558,596
Deferred revenue	106,571	99,055
Capital lease obligations	53,720	77,219
Notes payable	5,042,585	5,042,585
	<hr/>	<hr/>
	5,506,688	5,777,455
	<hr/>	<hr/>
Commitments (Notes 12 and 13)		
Net assets:		
Unrestricted:		
Undesignated	1,420,812	989,711
Board designated	12,444,310	14,085,685
	<hr/>	<hr/>
	13,865,122	15,075,396
Temporarily restricted	3,564,253	3,274,095
Permanently restricted	36,812	38,342
	<hr/>	<hr/>
	17,466,187	18,387,833
	<hr/>	<hr/>
Total liabilities and net assets	\$ 22,972,875	\$ 24,165,288
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See notes to consolidated financial statements.

The Fund for American Studies and Affiliate

**Consolidated Statement of Activities
Year Ended December 31, 2015
(With Comparative Totals for 2014)**

	2015			Total	2014 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue and support:					
Tuition, registration, housing and other fees	\$ 4,454,090	\$ -	\$ -	\$ 4,454,090	\$ 4,189,370
Less scholarships granted	(1,658,445)	-	-	(1,658,445)	(1,601,443)
	<u>2,795,645</u>	<u>-</u>	<u>-</u>	<u>2,795,645</u>	<u>2,587,927</u>
Contributions	3,739,199	3,191,422	-	6,930,621	6,489,102
Conference income	31,166	-	-	31,166	30,105
Other income	213,244	-	-	213,244	168,872
Net assets released from restrictions	2,836,894	(2,836,894)	-	-	-
Total revenue and support	<u>9,616,148</u>	<u>354,528</u>	<u>-</u>	<u>9,970,676</u>	<u>9,276,006</u>
Expenses:					
Program services:					
Engalitcheff Institute on Comparative Political and Economic Systems	715,581	-	-	715,581	695,336
Institute on Political Journalism	608,729	-	-	608,729	644,259
Institute on Business and Government Affairs	643,374	-	-	643,374	602,963
Institute on Economics and International Affairs	583,585	-	-	583,585	548,562
Institute on Philanthropy and Voluntary Service	440,202	-	-	440,202	438,811
Legal Studies Institute	417,410	-	-	417,410	414,482
Capital Semester	1,005,767	-	-	1,005,767	1,171,433
Foundation for Teaching Economics	1,685,618	-	-	1,685,618	2,152,969
American Institute on Political and Economic Systems	480,940	-	-	480,940	479,132
Asia Institute for Political Economy	357,427	-	-	357,427	329,081
Tisdale Program	16,997	-	-	16,997	35,910
Alumni Program	249,060	-	-	249,060	206,178
Other programs	298,568	-	-	298,568	271,983
Novak Journalism Fellows Program	472,517	-	-	472,517	529,411
Institute for Leadership in the Americas	314,241	-	-	314,241	315,960
	<u>8,290,016</u>	<u>-</u>	<u>-</u>	<u>8,290,016</u>	<u>8,836,470</u>
Supporting services:					
General and administrative	767,930	-	-	767,930	803,849
Fundraising	1,452,712	-	-	1,452,712	1,379,495
Total expenses	<u>10,510,658</u>	<u>-</u>	<u>-</u>	<u>10,510,658</u>	<u>11,019,814</u>
Change in net assets before investment (loss) income	<u>(894,510)</u>	<u>354,528</u>	<u>-</u>	<u>(539,982)</u>	<u>(1,743,808)</u>
Investment (loss) income	(315,764)	(64,370)	(1,530)	(381,664)	899,614
Change in net assets	<u>(1,210,274)</u>	<u>290,158</u>	<u>(1,530)</u>	<u>(921,646)</u>	<u>(844,194)</u>
Net assets:					
Beginning	15,075,396	3,274,095	38,342	18,387,833	19,232,027
Ending	<u>\$ 13,865,122</u>	<u>\$ 3,564,253</u>	<u>\$ 36,812</u>	<u>\$ 17,466,187</u>	<u>\$ 18,387,833</u>

See notes to consolidated financial statements.

The Fund for American Studies and Affiliate

Consolidated Statement of Functional Expenses
 Year Ended December 31, 2015
 (With Comparative Totals for 2014)

	2015							
	Program Services							
	ICPES	IEIA	IPJ	NJFP	IBGA	IPVS	AIPES	AIPE
Salaries	\$ 148,396	\$ 135,415	\$ 168,706	\$ 191,496	\$ 180,461	\$ 119,581	\$ 131,788	\$ 93,635
Faculty salaries	18,200	21,450	52,200	-	17,200	25,200	24,150	10,853
Events	34,897	12,492	35,515	315	74,669	21,161	19,106	8,074
Student housing	223,606	196,178	123,738	-	158,854	111,452	41,998	31,125
Payroll taxes and benefits	26,335	24,140	33,878	26,965	30,422	21,159	24,417	16,368
Student recruitment	35,681	22,706	26,731	-	24,328	19,463	6,597	16
Bank fees	5,145	3,430	3,859	429	3,430	2,573	5,574	3,430
University overhead	70,752	62,405	49,140	-	51,140	43,512	16,645	54,214
Depreciation	-	-	-	-	-	-	-	-
Professional fees	29,428	19,619	22,071	9,390	19,618	14,714	31,880	19,618
Meetings and conferences	23,237	15,255	17,647	101,562	15,255	11,441	24,790	15,255
Travel	7,894	9,153	5,940	1,651	5,658	3,940	33,865	22,312
Meals	-	-	-	-	-	-	11,380	18,681
Other	-	-	-	-	-	-	-	-
Books and subscriptions	-	-	-	-	312	-	1,302	-
Facility costs	49,122	32,748	36,842	4,094	32,748	24,561	53,216	32,748
Printing	5,346	3,564	4,205	1,694	4,052	2,673	6,245	3,691
Telephone	3,148	2,099	2,361	302	2,161	1,574	4,079	2,204
Grants	-	-	-	-	-	-	-	-
Equipment	25,349	16,899	19,011	2,112	16,899	12,674	27,461	16,899
Postage and shipping	971	648	729	2,403	648	486	1,348	648
Internet access and web pages	2,110	1,407	1,583	296	1,407	1,055	5,616	3,205
Photography	1,590	1,060	1,192	132	1,195	795	1,722	1,060
Supplies	2,050	1,367	1,538	171	1,367	1,025	3,809	1,841
Alumni programs	-	-	100	-	-	-	259	-
Marketing and sponsorships	2,061	1,374	1,546	5,172	1,374	1,031	2,233	1,374
Delivery	263	176	197	22	176	132	1,460	176
Novak Fellowship grants	-	-	-	111,000	-	-	-	-
Novak Fellowship expense accounts	-	-	-	13,311	-	-	-	-
Direct mail	-	-	-	-	-	-	-	-
	\$ 715,581	\$ 583,585	\$ 608,729	\$ 472,517	\$ 643,374	\$ 440,202	\$ 480,940	\$ 357,427

See notes to consolidated financial statements.

The Fund for American Studies and Affiliate

Consolidated Statement of Functional Expenses (Continued)
 Year Ended December 31, 2015
 (With Comparative Totals for 2014)

2015												
Program Services								Supporting Services				2014
ILA	LSI	Capital Semester	FTE	Tisdale	Alumni	Other Programs	Total	General and Administrative	Fundraising	Total	Total	
\$ 102,473	\$ 109,554	\$ 196,224	\$ 407,152	\$14,134	\$ 88,598	\$ 90,345	\$ 2,177,958	\$ 113,974	\$ 683,338	\$ 2,975,270	\$ 2,822,275	
10,000	18,500	61,000	213,442	-	-	-	472,195	8,334	-	480,529	286,447	
7,205	8,392	15,107	497,633	382	316	714	735,978	23,948	4,983	764,909	960,680	
40,250	143,457	372,217	-	-	-	-	1,442,875	127,022	-	1,569,897	1,652,238	
13,099	17,341	34,261	124,588	2,394	15,345	15,978	426,690	45,074	120,854	592,618	743,234	
566	17,841	16,819	105,410	-	-	-	276,158	5,168	5,745	287,071	191,153	
3,430	2,573	2,573	15,435	-	430	17,635	69,946	5,946	3,891	79,783	41,859	
10,733	20,000	231,845	-	-	-	-	610,386	-	-	610,386	614,568	
-	-	-	6,127	-	-	-	6,127	266,806	912	273,845	262,041	
19,618	14,714	14,714	50,526	-	2,452	4,905	273,267	61,694	96,063	431,024	799,495	
15,255	11,808	11,441	4,121	-	113,374	127,052	507,493	9,752	9,553	526,798	526,310	
21,029	6,123	3,444	169,306	76	1,618	974	292,983	5,519	25,974	324,476	416,631	
3,960	-	-	-	-	-	-	34,021	-	-	34,021	29,549	
-	-	-	240	-	-	24,658	24,898	586	5,434	30,918	33,351	
512	-	-	1,081	-	-	-	3,207	36	2,212	5,455	6,196	
32,748	24,561	24,561	29,171	-	4,094	8,187	389,401	46,538	41,370	477,309	484,655	
4,983	3,418	2,673	22,699	-	448	891	66,582	5,841	29,797	102,220	109,708	
2,153	1,574	1,574	4,971	-	347	525	29,072	5,572	7,526	42,170	48,113	
-	-	-	-	-	-	970	970	-	-	970	708	
16,899	12,674	12,674	10,450	-	2,112	4,225	196,338	28,467	15,028	239,833	215,186	
648	486	562	18,974	-	81	162	28,794	2,862	39,482	71,138	115,816	
2,939	1,055	1,055	1,989	-	176	352	24,245	2,441	2,129	28,815	20,270	
1,060	1,081	801	265	-	133	265	12,351	662	662	13,675	16,868	
2,965	1,025	1,059	1,650	-	171	342	20,380	516	2,837	23,733	59,106	
-	-	-	-	-	19,171	-	19,530	158	-	19,688	21,255	
1,374	1,031	1,031	344	-	172	344	20,461	859	859	22,179	37,163	
342	202	132	44	11	22	44	3,399	110	110	3,619	4,192	
-	-	-	-	-	-	-	111,000	-	-	111,000	152,950	
-	-	-	-	-	-	-	13,311	-	-	13,311	27,718	
-	-	-	-	-	-	-	-	45	353,953	353,998	320,079	
\$ 314,241	\$ 417,410	\$ 1,005,767	\$ 1,685,618	\$16,997	\$249,060	\$ 298,568	\$ 8,290,016	\$ 767,930	\$1,452,712	\$ 10,510,658	\$11,019,814	

The Fund for American Studies and Affiliate

**Consolidated Statement of Cash Flows
Year Ended December 31, 2015
(With Comparative Totals for 2014)**

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (921,646)	\$ (844,194)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	273,845	262,041
Realized and unrealized losses (gains) on investments	537,274	(730,159)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	111,015	102,587
Promises to give	160,619	123,636
Prepaid expenses	47,263	60,928
Deposits	-	200,000
Increase (decrease) in:		
Accounts payable and accrued expenses	(254,784)	(51,993)
Deferred revenue	7,516	(63,922)
Net cash used in operating activities	(38,898)	(941,076)
Cash flows from investing activities:		
Purchases of property and equipment	(143,760)	(31,214)
Increase in cash surrender value of life insurance	(1,076)	(1,034)
Proceeds from sales of investments	1,422,391	2,999,244
Purchases of investments	(292,446)	(1,575,745)
Net cash provided by investing activities	985,109	1,391,251
Cash flows from financing activities:		
Principal payments on capital lease	(23,499)	(27,969)
Net cash used in financing activities	(23,499)	(27,969)
Net increase in cash and cash equivalents	922,712	422,206
Cash and cash equivalents:		
Beginning	1,502,126	1,079,920
Ending	\$ 2,424,838	\$ 1,502,126
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 282,323	\$ 255,582

See notes to consolidated financial statements.

The Fund for American Studies and Affiliate

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 Economics and International Affairs, Institute on Political Journalism, Institute on Business and Government Affairs, American Institute on Political and Economic Systems, Institute on Philanthropy and Voluntary Service, Legal Studies Institute, Asia Institute for Political Economy and Institute for Leadership in the Americas. Three 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 Topic, 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.

The Fund for American Studies and Affiliate

Notes to Consolidated Financial Statements

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, 2015.

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 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 are reflected at fair market value. 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.

The Fund for American Studies and Affiliate

Notes to Consolidated Financial Statements

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. Amounts received in advance of the institutes are 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; annuity 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, 2015, 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, 2015. Generally, the Fund is no longer subject to U.S. federal income tax positions by tax authorities for years before 2012.

The Fund for American Studies and Affiliate

Notes to Consolidated Financial Statements

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 or function. 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, 2014, from which the summarized information was derived.

Reclassifications: Certain amounts in the 2014 consolidated statements have been reclassified to conform to the 2015 consolidated financial statements, with no effect on the previously reported change in net assets or net assets.

Upcoming accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Fund is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for annual reporting periods beginning after December 15, 2017. The Fund has not yet selected a transition method and is currently evaluating the effect that the Update will have on the financial statements.

In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations*. The amendments in this ASU are intended to improve the guidance on principal versus agent considerations. The effective date for this ASU is the same as the effective date for ASU 2014-09, *Revenue from Contracts with Customers*. The Fund is currently assessing the potential impact of this ASU on the financial statements.

Subsequent events: The Fund evaluated subsequent events through August 8, 2016, which is the date the consolidated financial statements were available to be issued.

The Fund for American Studies and Affiliate

Notes to Consolidated Financial Statements

Note 2. Foundation for Teaching Economics Fund

On September 1, 2012, FTE entered into an acquisition agreement with TFAS and the Jaquelin Home Foundation (JHF) effective January 1, 2013. Under the terms of the agreement, FTE amended its bylaws, effective January 1, 2013, to designate TFAS as the sole member of FTE and to empower JHF to designate one Trustee. The agreement provides for the continuation of the mission of FTE under the control of TFAS with funding by JHF. In accordance with the agreement, during 2013, FTE transferred a significant portion of its investments to JHF to be held as the Foundation for Teaching Economics Fund (the Fund).

As part of the acquisition agreement, FTE transferred investments with a fair value of \$5,486,510 to JHF in March 2013, with the understanding that the income and principal pertaining to these assets would be distributed to FTE annually based on a budget provided by FTE. The Fund is to be used exclusively to support FTE's programs so long as TFAS carries out these programs in a manner consistent with FTE's mission. FTE recognized distributions from the Fund totaling \$950,000 during 2015, which are included in contributions in the statement of activities.

Note 3. Related Party Transactions

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 4. Promises to Give

Promises to give at December 31, 2015, consist of the following:

Amounts due in:

Less than one year	\$ 828,565
One to four years	50,000
	<hr/>
	878,565
	<hr/>
Less unamortized discount at 1.5%	3,276
	<hr/>
	<u>\$ 875,289</u>

The Fund for American Studies and Affiliate

Notes to Consolidated Financial Statements

Note 5. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2015, and depreciation expense for the year ended December 31, 2015, are as follows:

	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation
Buildings	31 years	\$ 4,938,769	\$ 1,675,168	\$ 3,263,601	\$ 164,736
Furniture and equipment	3 to 10 years	1,730,430	1,346,752	383,678	109,109
Land	—	2,327,023	-	2,327,023	-
		<u>\$ 8,996,222</u>	<u>\$ 3,021,920</u>	<u>\$ 5,974,302</u>	<u>\$ 273,845</u>

Note 6. Investments

Investments at December 31, 2015, consist of the following:

Equity funds	\$ 8,870,184
Fixed income funds	3,561,113
Cash and money market funds	636,679
Beneficial interest in trust	36,812
Corporate bonds	26,507
	<u>\$ 13,131,295</u>

Investment loss for the year ended December 31, 2015, consists of the following:

Interest and dividends	\$ 155,610
Realized and unrealized losses on investments	(537,274)
	<u>\$ (381,664)</u>

Note 7. 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.

The Fund for American Studies and Affiliate

Notes to Consolidated Financial Statements

Note 7. 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, 2015, are as follows:

Investments	<u>\$ 194,649</u>
Annuity payable (included with accounts payable and accrued expenses)	<u>\$ 54,225</u>

Note 8. 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 \$96,600 and \$51,520, respectively, at December 31, 2015, and the depreciation expense of the leased asset amounted to approximately \$19,320 for the year ended December 31, 2015.

Future minimum lease payments remaining are as follows:

Years ending December 31:	
2016	\$ 19,320
2017	19,320
2018	<u>18,642</u>
	57,282
Less the amount representing interest	<u>(3,562)</u>
	<u>\$ 53,720</u>

Note 9. 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, 2015, was \$1,442,585.

The Fund for American Studies and Affiliate

Notes to Consolidated Financial Statements

Note 10. Board-Designated Unrestricted Net Assets

Board-designated unrestricted net assets at December 31, 2015, consist of the following:

Engalitcheff Endowment Fund	\$ 9,377,019
Freedom Center Building Fund	1,624,878
David R. and Corinne Watt Jones Scholarship Fund	968,185
George Viksnins Scholarship Fund	130,088
Randal C. Teague Scholarship Fund	74,516
Manuela Strong Endowment Fund	57,135
Kevin Burket Memorial Scholarship Fund	39,598
Fred Barnes Scholarship Fund	38,250
Steve and Eileen Berlin Scholarship Fund	30,408
Don and Martha Sundquist Scholarship Fund	30,330
Don Lavoie Scholarship Fund	25,952
Roger Ream Scholarship Fund	23,052
Other Scholarship Funds	24,899
	<u><u>\$ 12,444,310</u></u>

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, 2015, is as follows:

Endowment net assets, beginning of year	\$ 14,085,685
Contributions	23,706
Investment loss	(449,729)
Appropriation of endowment assets for expenditure	(1,215,352)
Endowment net assets, end of year	<u><u>\$ 12,444,310</u></u>

The Fund for American Studies and Affiliate

Notes to Consolidated Financial Statements

Note 11. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2015, and additions and net assets released from restrictions for the year ended December 31, 2015, consist of the following:

	Balance December 31, 2014	Contributions and Investment Income (loss)	Releases	Balance December 31, 2015
Purpose restricted:				
Dixie Davis Scholarship Fund	\$ 96,866	\$ (3,068)	\$ (1,000)	\$ 92,798
Patt Patterson Scholarship Fund	27,371	68	-	27,439
Dell Thurmond Woodard Fellowship	137,044	(4,098)	(8,994)	123,952
Fred and Georganna Long Scholarship Fund	347,510	(10,568)	(17,250)	319,692
Hunter Hunt Scholarship Fund	176,454	18,794	(7,500)	187,748
Ignacy Jan Paderewski Scholarship Fund	92,164	78,259	(10,690)	159,733
Reach Your Peak Scholarship Fund	31,513	(1,008)	-	30,505
James Mrazek Scholarship Fund	182,125	(5,597)	(7,206)	169,322
Alan and Rella Bates Scholarship Fund	203,426	8,260	(7,800)	203,886
David Martin Scholarship Fund	60,854	2,989	(3,000)	60,843
Other scholarships and program support	821,109	2,219,474	(2,098,886)	941,697
Eben Tisdale Fellowship	377,824	19,600	(37,448)	359,976
Neal B. Freeman Lecture Fund	100,000	(2,983)	(6,794)	90,223
John Cataldo Scholarship Fund	-	154,880	-	154,880
FTE Programs	427,767	402,310	(510,767)	319,310
Time restricted:				
Promises to give	192,068	249,740	(119,559)	322,249
	<u>\$ 3,274,095</u>	<u>\$ 3,127,052</u>	<u>\$ (2,836,894)</u>	<u>\$ 3,564,253</u>

Note 12. 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, 2015, 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 \$36,812 at December 31, 2015.

The Fund for American Studies and Affiliate

Notes to Consolidated Financial Statements

Note 13. Commitments

The Fund has entered into a lease agreement for student housing space through August 2019. The future minimum lease payments under the operating lease agreements are as follows:

Years ending December 31:

2016	\$	524,116
2017		503,896
2018		517,089
2019		173,840
	\$	<u>1,718,941</u>

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 \$250,000 to cover start-up costs, etc., which will remain on deposit with the University throughout the term of the agreement. The contract was amended on July 13, 2015, to extend the contract term for additional three years.

Note 14. 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 may make an employer-elected contribution to employees. The Fund's total contribution to the Plan was \$73,705 for the year ended December 31, 2015.

TFAS also established a 457(b) deferred compensation plan for its President in 2011. No contributions were made for the year ended December 31, 2015.

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 \$29,365 for the year ended December 31, 2015.

Note 15. 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 Fund for American Studies and Affiliate

Notes to Consolidated Financial Statements

Note 15. Fair Value Measurements (Continued)

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.

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, 2015:

	Total	Level 1	Level 2	Level 3
Financial assets:				
Equity securities:				
Large Cap	\$ 5,432,338	\$ 5,432,338	\$ -	\$ -
Mid-Cap	646,181	646,181	-	-
International	963,079	963,079	-	-
Large Growth	33,534	33,534	-	-
Capital appreciation	27,932	27,932	-	-
Emerging markets	1,238,221	1,238,221	-	-
Small cap	492,002	492,002	-	-
Common stock - insurance	36,897	36,897	-	-
	<u>8,870,184</u>	<u>8,870,184</u>	-	-
Fixed income securities:				
Total return	58,738	58,738	-	-
U.S. Investment grade	721,135	721,135	-	-
Short term bond	2,781,240	2,781,240	-	-
Corporate bonds (a)	26,507	-	26,507	-
	<u>3,587,620</u>	<u>3,561,113</u>	<u>26,507</u>	-
Money market funds	636,679	636,679	-	-
Beneficial interest in trust	36,812	-	-	36,812
	<u>\$ 13,131,295</u>	<u>\$ 13,067,976</u>	<u>\$ 26,507</u>	<u>\$ 36,812</u>
Financial liabilities:				
Deferred compensation	\$ 61,466	\$ -	\$ 61,466	\$ -

(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.

The Fund for American Studies and Affiliate

Notes to Consolidated Financial Statements

Note 15. Fair Value Measurements (Continued)

Equity securities, multi-strategy bond funds and money market funds 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.



RSM US LLP

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, 2015, 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.

RSM US LLP

Washington, D.C.
August 8, 2016

The Fund for American Studies and Affiliate

Consolidating Balance Sheet
December 31, 2015

	TFAS	FTE	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 998,089	\$ 1,426,749	\$ -	\$ 2,424,838
Accounts receivable	28,161	6,113	-	34,274
Promises to give, net	640,226	235,063	-	875,289
Prepaid expenses	243,953	14,849	-	258,802
Property and equipment, net	5,952,414	21,888	-	5,974,302
Investments	12,998,320	132,975	-	13,131,295
Deposits	250,000	-	-	250,000
Cash surrender value – life insurance	24,075	-	-	24,075
	<hr/>			
Total assets	\$ 21,135,238	\$ 1,837,637	\$ -	\$ 22,972,875
	<hr/> <hr/>			
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 216,742	\$ 87,070	\$ -	\$ 303,812
Deferred revenue	96,126	10,445	-	106,571
Capital lease obligations	53,720	-	-	53,720
Notes payable	5,042,585	-	-	5,042,585
	<hr/>			
	5,409,173	97,515	-	5,506,688
	<hr/>			
Net assets:				
Unrestricted:				
Undesignated	-	1,420,812	-	1,420,812
Board designated	12,444,310	-	-	12,444,310
	<hr/>			
	12,444,310	1,420,812	-	13,865,122
Temporarily restricted	3,244,943	319,310	-	3,564,253
Permanently restricted	36,812	-	-	36,812
	<hr/>			
	15,726,065	1,740,122	-	17,466,187
	<hr/>			
Total liabilities and net assets	\$ 21,135,238	\$ 1,837,637	\$ -	\$ 22,972,875
	<hr/> <hr/>			

The Fund for American Studies and Affiliate

**Consolidating Statement of Activities
Year Ended December 31, 2015**

	TFAS	FTE	Eliminations	Total
Revenue and support:				
Tuition, registration, housing and other fees	\$ 3,995,774	\$ 458,316	\$ -	\$ 4,454,090
Less scholarships granted	(1,658,445)	-	-	(1,658,445)
	2,337,329	458,316	-	2,795,645
Contributions	4,794,539	2,136,082	-	6,930,621
Conference income	31,166	-	-	31,166
Other income	333,883	-	(120,639)	213,244
Total revenue and support	7,496,917	2,594,398	(120,639)	9,970,676
Expenses:				
Program services:				
Engalitcheff Institute on Comparative Political and Economic Systems	715,581	-	-	715,581
Institute on Political Journalism	608,729	-	-	608,729
Institute on Business and Government Affairs	643,374	-	-	643,374
Institute on Economics and International Affairs	583,585	-	-	583,585
Institute on Philanthropy and Voluntary Service	440,202	-	-	440,202
Legal Studies Institute	417,410	-	-	417,410
Capital Semester	1,005,767	-	-	1,005,767
Foundation for Teaching Economics	75,025	1,675,333	(64,740)	1,685,618
American Institute on Political and Economic Systems	480,940	-	-	480,940
Asia Institute for Political Economy	357,427	-	-	357,427
Tisdale	16,997	-	-	16,997
Alumni	249,060	-	-	249,060
Other programs	298,568	-	-	298,568
Novak Journalism Fellows Program	472,517	-	-	472,517
Institute for Leadership in the Americas	314,241	-	-	314,241
	6,679,423	1,675,333	(64,740)	8,290,016
Supporting services:				
General and administrative	508,788	285,069	(25,927)	767,930
Fundraising	1,153,536	329,148	(29,972)	1,452,712
Total expenses	8,341,747	2,289,550	(120,639)	10,510,658
Change in net assets before investment income and other (losses) gains	(844,830)	304,848	-	(539,982)
Investment (loss) income	(399,460)	17,796	-	(381,664)
Change in net assets	(1,244,290)	322,644	-	(921,646)
Net assets:				
Beginning	16,970,355	1,417,478	-	18,387,833
Ending	\$ 15,726,065	\$ 1,740,122	\$ -	\$ 17,466,187