

**The Fund for American Studies and Affiliate**

**Consolidated Financial Statements  
and Independent Auditor's Report**

**December 31, 2020  
(With December 31, 2019 Summarized  
Comparative Financial Information)**

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# The Fund for American Studies and Affiliate

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## Independent Auditor's Report

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

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Fund for American Studies and Affiliate (the "Fund"), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities and change in net assets, 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, 2020 and the changes in its net assets and its 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 December 31, 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*CohnReznick LLP*

Bethesda, Maryland  
June 10, 2021

**The Fund for American Studies and Affiliate**  
**Consolidated Statement of Financial Position**  
**December 31, 2020**  
**(With Summarized Comparative Financial Information for December 31, 2019)**

	<u>Assets</u>	
	2020	2019
Cash and cash equivalents	\$ 872,425	\$ 691,974
Accounts receivable	52,112	12,689
Pledges receivable, net	2,541,889	3,165,768
Prepaid expenses	164,961	115,624
Property and equipment, net	5,167,211	5,405,947
Investments	18,175,693	17,251,453
Deposits	250,000	250,000
Other assets	1,405,747	-
Cash surrender value - life insurance	29,605	28,503
	\$ 28,659,643	\$ 26,921,958
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 298,939	\$ 427,049
Deferred revenue	100,484	91,384
Capital lease obligations	32,300	48,123
Annuities payable	1,261,668	99,071
Line of credit	4,800,000	4,800,000
	6,493,391	5,465,627
Net assets		
Without donor restrictions	10,773,106	10,891,228
With donor restrictions	11,393,146	10,565,103
	22,166,252	21,456,331
	\$ 28,659,643	\$ 26,921,958

See Notes to Consolidated Financial Statements.

**The Fund for American Studies and Affiliate**

**Consolidated Statement of Activities and Change in Net Assets  
Year Ended December 31, 2020**

**(With Summarized Comparative Financial Information for Year Ended December 31, 2019)**

	2020			2019
	Without donor restrictions	With donor restrictions	Total	
Revenue and support				
Tuition, registration, housing and other fees	\$ 2,069,858	\$ -	\$ 2,069,858	\$ 5,313,220
Less scholarships granted	(998,656)	-	(998,656)	(2,461,634)
Tuition, registration, housing and other fees, net	1,071,202	-	1,071,202	2,851,586
Contributions	2,950,682	2,853,271	5,803,953	7,094,363
Conference income	62,018	-	62,018	113,212
Investment income	1,129,966	1,150,969	2,280,935	2,403,428
Other income	22,440	-	22,440	89,333
Net assets released from restrictions	3,176,197	(3,176,197)	-	-
<b>Total revenue and support</b>	<b>8,412,505</b>	<b>828,043</b>	<b>9,240,548</b>	<b>12,551,922</b>
Expenses				
Program services				
Graduate and professional programs	1,218,297	-	1,218,297	1,387,102
Undergraduate programs	3,394,142	-	3,394,142	5,897,372
High school programs	1,233,363	-	1,233,363	2,033,803
Other programs	324,022	-	324,022	304,738
<b>Total program services</b>	<b>6,169,824</b>	<b>-</b>	<b>6,169,824</b>	<b>9,623,015</b>
Supporting services				
General and administrative	562,396	-	562,396	708,615
Fundraising	1,798,407	-	1,798,407	1,676,930
<b>Total supporting services</b>	<b>2,360,803</b>	<b>-</b>	<b>2,360,803</b>	<b>2,385,545</b>
<b>Total expenses</b>	<b>8,530,627</b>	<b>-</b>	<b>8,530,627</b>	<b>12,008,560</b>
Change in net assets	(118,122)	828,043	709,921	543,362
Net assets, beginning of year	10,891,228	10,565,103	21,456,331	20,912,969
Net assets, end of year	<u>\$ 10,773,106</u>	<u>\$ 11,393,146</u>	<u>\$ 22,166,252</u>	<u>\$ 21,456,331</u>

See Notes to Consolidated Financial Statements.

**The Fund for American Studies and Affiliate**  
**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2020**  
**(With Summarized Comparative Financial Information for Year Ended December 31, 2019)**

	Program services				Supporting services			Total	2019 total
	Graduate and professional programs	Undergraduate programs	High school programs	Other programs	Program services	General and administrative	Fundraising		
Salaries, payroll taxes and benefits	\$ 523,594	\$ 1,492,847	\$ 536,572	\$ 46,549	\$ 2,599,562	\$ 482,546	\$ 1,165,186	\$ 4,247,294	\$ 4,430,696
Faculty salaries and guest lecturers	17,050	147,824	190,100	-	354,974	-	-	354,974	487,729
Events	1,014	32,242	259	127	33,642	127	127	33,896	250,364
Student housing and campus costs	104,125	265,547	116,322	-	485,994	-	-	485,994	2,283,995
Student recruitment	2,991	85,322	131,566	-	219,879	-	-	219,879	275,608
Bank and credit card fees	5,207	43,051	6,440	3,217	57,915	3,495	3,217	64,627	79,857
University overhead	21,518	305,738	-	-	327,256	-	-	327,256	546,336
Depreciation and amortization	23,355	191,040	28,586	14,293	257,274	14,293	14,293	285,860	265,347
Professional fees	26,117	201,746	29,312	14,407	271,582	14,407	24,473	310,462	375,606
Meetings and conferences	135,426	32,636	4,892	201,832	374,786	2,900	2,563	380,249	739,480
Travel	2,562	33,240	22,628	2,183	60,613	3,424	38,995	103,032	496,166
Student meals	-	4,991	-	-	4,991	-	-	4,991	31,368
Books, curriculum and program materials	-	89	74,981	-	75,070	-	-	75,070	104,095
Facility costs	35,368	69,750	10,434	5,219	120,771	5,539	5,219	131,529	184,293
Interest expense	10,670	87,272	13,060	6,529	117,531	5,981	6,529	130,041	153,440
Printing and publications	1,935	15,875	2,373	1,184	21,367	1,184	26,509	49,060	70,926
Telephone	2,876	22,376	3,326	1,663	30,241	1,663	1,928	33,832	23,758
Equipment and software	26,850	220,086	34,692	16,432	298,060	16,432	16,432	330,924	274,773
Postage	546	3,168	474	237	4,425	237	2,629	7,291	31,970
Internet access and web pages	3,438	28,277	4,126	2,065	37,906	2,065	2,065	42,036	52,890
Photography	39	311	41	23	414	23	23	460	14,562
Supplies	491	6,834	700	301	8,326	301	2,828	11,455	16,799
Alumni programs events	128	-	-	-	128	13	-	141	1,756
Marketing and sponsorships	10,149	82,651	13,966	6,181	112,947	6,181	307,439	426,567	314,071
Shipping and delivery	344	2,930	5,653	211	9,138	211	322	9,671	12,447
Novak Fellowship grants	186,667	-	-	-	186,667	-	-	186,667	127,500
Novak Fellowship grant expense accounts	21,565	-	-	-	21,565	-	-	21,565	20,348
Direct mail campaign	2,238	18,299	2,740	1,369	24,646	1,369	171,747	197,762	235,093
Bad debt expense	-	-	-	-	-	-	-	-	25,000
Student travel scholarships	-	-	70	-	70	-	-	70	12,481
Other	52,034	-	50	-	52,084	5	5,883	57,972	69,806
<b>Total expenses</b>	<b>\$ 1,218,297</b>	<b>\$ 3,394,142</b>	<b>\$ 1,233,363</b>	<b>\$ 324,022</b>	<b>\$ 6,169,824</b>	<b>\$ 562,396</b>	<b>\$ 1,798,407</b>	<b>\$ 8,530,627</b>	<b>\$ 12,008,560</b>

See Notes to Consolidated Financial Statements.

**The Fund for American Studies and Affiliate**

**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2020**

**(With Summarized Comparative Financial Information for Year Ended December 31, 2019)**

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 709,921	\$ 543,362
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	285,860	265,347
Net realized and unrealized gain on investments	(1,953,883)	(1,937,150)
Bad debt expense	-	25,000
Change in discount on pledges receivable	23,798	(20,097)
Donated other asset	(1,402,000)	-
Annuities payable	1,204,224	17,536
Changes in		
Accounts receivable	(39,423)	318,322
Pledges receivable, net	600,081	3,358,452
Prepaid expenses	(49,337)	117,960
Accounts payable and accrued expenses	(128,110)	223,230
Deferred revenue	9,100	27,975
	<u>(739,769)</u>	<u>2,939,937</u>
Cash flows from investing activities		
Purchases of property and equipment	(50,871)	(120,274)
Increase in cash surrender value of life insurance	(1,102)	(1,125)
Proceeds from sales of investments	2,209,601	2,465,496
Purchases of investments	(1,179,958)	(5,337,904)
	<u>977,670</u>	<u>(2,993,807)</u>
Cash flows from financing activities		
Principal payments on capital lease	(15,823)	(15,472)
Payments made on annuities payable	(41,627)	(13,671)
	<u>(57,450)</u>	<u>(29,143)</u>
Net increase (decrease) in cash and cash equivalents	180,451	(83,013)
Cash and cash equivalents, beginning of year	<u>691,974</u>	<u>774,987</u>
Cash and cash equivalents, end of year	<u>\$ 872,425</u>	<u>\$ 691,974</u>
Supplemental cash flow information		
Cash paid for interest	<u>\$ 130,041</u>	<u>\$ 153,440</u>
Donated other assets	<u>\$ 1,402,000</u>	<u>\$ -</u>
Noncash financing activities		
Refinancing of variable rate to fixed rate on line of credit	<u>\$ 1,920,000</u>	<u>\$ -</u>

See Notes to Consolidated Financial Statements.



## **The Fund for American Studies and Affiliate**

### **Notes to Consolidated Financial Statements December 31, 2020**

#### **Note 1 - Nature of activities**

The Fund for American Studies and Affiliate (the "Fund") is comprised of two entities: The Fund for American Studies ("TFAS") and 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 educational programs for selected college students, law students, and young professionals from all parts of the country and around the world. These programs include Washington, DC-based Academic Internship Programs for undergraduate students each summer, fall and spring, including tracks in International Affairs, Journalism and Communications, Public Policy and Economics, Business and Government Affairs, and Leadership and the American Presidency. In addition, TFAS hosts international academic programs for current university students and young professionals from around the world held outside of the United States. As a matter of principle, neither TFAS nor FTE accepts or participates in any government funding, as TFAS and FTE believe maintaining that independence is key to the organization's mission and an important component of its educational programming.

FTE was organized for the purpose of introducing high school students, 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.

During 2018, the Board of Trustees of TFAS and the Board of Trustees of FTE voted to transfer substantially all of the assets of FTE to TFAS as of December 31, 2018. Effective January 1, 2019, TFAS assumed responsibility for FTE programs. FTE remains a separate legal entity with minimal fundraising activity.

#### **Note 2 - Summary of significant accounting policies**

##### **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 between the organizations have been eliminated for consolidation.

##### **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.

##### **Investments**

Investments are recorded at fair value. Accordingly, unrealized gains and losses, due to market fluctuations during the year, are recognized at year-end. Realized gains or losses are recognized upon sale or disposal. Donated investments are reflected as contributions at their fair values at date of receipt. It is reasonably possible that changes in interest rate and market risk in the near term could result in a change in fair value of investment balances, which could be material.

##### **Accounts receivable**

The Fund records receivables at cost, less an allowance for doubtful accounts as determined by management. The allowance is provided based on a review of the estimated collectability of the

## **The Fund for American Studies and Affiliate**

### **Notes to Consolidated Financial Statements December 31, 2020**

specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged off against the allowance for doubtful accounts once management determines an account, or a portion thereof, to be worthless. At December 31, 2020, management believes all accounts receivable to be fully collectible, and, as such, no allowance for doubtful accounts has been provided for in these consolidated financial statements.

#### **Pledges receivable**

Pledges receivable are recognized as revenue in the period the promise is made. Conditional pledges receivable are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Pledges receivable are carried at original amount promised less an estimate made for doubtful pledges based on a review of all outstanding pledges on a monthly basis. Pledges receivable include bequests from estates, and the timing and amounts to be received depend on the liquidation of the estates. Management determines the allowance for doubtful pledges by regularly evaluating individual promises to give and considering prior history of donors and proven collectability of past donations. Pledges are written off when deemed uncollectible. Recoveries of pledges previously written off are recorded when received. Management has estimated an allowance for doubtful accounts to be \$275,000 at December 31, 2020.

Pledges receivable expected to be collected beyond one year are reflected at the net present value of their estimated future cash flows using a risk-adjusted interest rate. Amortization of the discount on pledges receivable is reflected as contribution revenue.

#### **Property and equipment**

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, generally 3 to 31 years. Website costs are amortized over an estimated useful life of five years. The Fund capitalizes all expenditures for property and equipment in excess of \$3,500 with an estimated useful life of greater than one year.

#### **Other assets**

Other assets represent condominium units received under a charitable gift annuity agreement. The asset was recorded at its appraised value at the time of donation, and is being depreciated over an estimated useful life of 27.5 years. As of December 31, 2020, the cost of the asset is \$1,414,319 with accumulated depreciation of \$8,572.

#### **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.

#### **Net assets**

Net assets without donor restrictions:

Net assets without donor restrictions are net assets that are not restricted by donor stipulations for a time or purpose restriction.

## The Fund for American Studies and Affiliate

### Notes to Consolidated Financial Statements December 31, 2020

TFAS segregates its net assets without donor restrictions into the following fund categories:

**Undesignated** - Represents the net assets that are not earmarked by the Board of Trustees or restricted by donors for time or purpose restrictions.

**Board-designated endowment funds** - Represents net assets that the Board of Trustees has earmarked for specific purposes.

Net assets with donor restrictions:

Net assets with donor restrictions result from contributions and bequests, investment income earned on restricted contributions, and investment income earned and appropriated from endowments. Use of net assets with donor restrictions is limited by donor-imposed purposes or time restrictions that have not yet been fulfilled by actions of the Fund pursuant to these stipulations or by the passage of time.

Net assets with donor restrictions also 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 donors of these assets permit the Fund to use the income and gains earned on related investments for operations or for specific purposes stipulated by the donors.

#### Revenue recognition

The Fund recognizes revenue through the five-step model prescribed by the Financial Accounting Standards Board ("FASB") in the Accounting Standards Codification ("ASC"), *Revenue from Contracts with Customers*: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when a performance obligation is met. The Fund applies the practical expedient in ASC 606-10-50-14 and, therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less.

The Fund recognizes revenue from student tuition, registrations, housing and other fees during the year in which the related services are provided to students. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course when the respective program is held. Contracts for tuition, room, and board are combined into a single portfolio of similar contracts. Payment for tuition and housing is required before the start of the program. All amounts received prior to the commencement of the program, including enrollment deposits, are deferred to the applicable period. Scholarships provided to students are recorded as a reduction from the posted tuition. Amounts received in advance of the programs are recorded as deferred revenue.

Contributions and grants are classified as either conditional or unconditional. Unconditional contributions and grants, including unconditional promises to give are recognized at fair value when the commitment to contribute is received and are reported as without donor restrictions revenue and support unless specifically restricted by the donor or by law. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as revenue and support with donor restrictions. Revenue is recognized on a conditional contribution after the Fund overcomes a barrier or hurdle to be entitled to the resource, and the resource provider no longer has the right of return.

## **The Fund for American Studies and Affiliate**

### **Notes to Consolidated Financial Statements December 31, 2020**

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**

Annuities payable include obligations to pay a life annuity to the donor or designated beneficiary, or other benefit, such as use of property when the irrevocable gift involves real estate. The contributed assets and the annuitant 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, those of equities at market value and gifts of property at their appraised 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.

Salaries and benefits are allocated based on the level of effort. Student recruitment and other student program event costs are allocated to programs based on enrollment. All general overhead costs, including utilities, postage, printing, depreciation and travel, are allocated to programs based on program enrollment with a portion allocated to general and administrative and fundraising functions.

#### **Estimates**

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

#### **Income taxes**

TFAS and FTE are exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Fund believes it has appropriate support for any tax position taken and, as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Fund recognizes interest expense and penalties related to unrecognized tax positions in accounts payable and accrued expenses and other expense on the consolidated financial statements. The Fund reported no penalties and interest related to unrecognized tax positions for the year ended December 31, 2020. Tax years prior to 2017 are no longer subject to examination by the Internal Revenue Service or the tax jurisdictions of the District of Columbia and California.

## The Fund for American Studies and Affiliate

### Notes to Consolidated Financial Statements December 31, 2020

#### 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, 2019, from which the summarized information was derived.

#### Credit risk

The Fund has no cash balances in excess of Federal Deposit Insurance Corporation ("FDIC") limits at December 31, 2020. TFAS has a short-term investment in repurchase agreements consisting of U.S. government securities and U.S. government-backed securities at December 31, 2020 in amount of \$810,000.

#### Reclassifications

Certain amounts in the 2019 summarized comparative information have been reclassified to conform to the 2020 consolidated financial statements, with no effect on the previously reported change in net assets.

#### Adoption of new accounting principle

During the year ended December 31, 2020, the Fund adopted FASB Accounting Standards Update 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value measurement* ("ASU 2018-13"). This ASU provided revised guidance to improve the effectiveness of the disclosure requirements for fair value measurements. Adopting the standard did not have a material effect the Fund's fair value measurements for the year ended December 31, 2020.

#### Subsequent events

The Fund has evaluated subsequent events from the statement of financial position date through June 10, 2021, the date at which the financial statements were issued.

#### Note 3 - Liquidity and availability of resources

The Fund regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Fund has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, lines of credit, and commercial paper facilities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Fund considers all expenditures related to its ongoing activities of operating education programs for selected college students, high school students and teachers, and professionals from all parts of the world.

In addition to financial assets available to meet general expenditures over the next 12 months, the Fund operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The Fund budgets annual spending from its Board and donor-restricted endowments, which is defined as approximately 5% of the trailing 12-quarter (three-year) market value of the endowment.

## The Fund for American Studies and Affiliate

### Notes to Consolidated Financial Statements December 31, 2020

As of December 31, 2020, the following tables show the total financial assets held by The Fund and the amounts of those financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Financial assets at year-end	
Cash and cash equivalents	\$ 872,425
Accounts receivable, net	52,112
Pledges receivable, net	2,541,889
Investments	18,175,693
Cash surrender value - life insurance	29,605
	<hr/>
	21,671,724
Less those unavailable for general expenditure within one year	
Pledges receivable due in excess of one year	(1,613,644)
Investments held as collateral	(9,235,479)
Investments held for donor restricted endowments	(4,001,703)
Investments held for deferred compensation	(134,264)
Investments held for charitable gift annuities	(161,738)
	<hr/>
	\$ 6,524,896

As noted in Note 10, TFAS has an additional \$200,000 available to draw upon from its line of credit to meet general expenditures.

#### Note 4 - Related party transactions

The Board of Trustees approved \$95,000 in annual compensation to Randal Teague, its Chairman, for his services beyond traditional governance roles and levels of engagement of a trustee or an officer. These services and levels of engagement include focuses on strategic planning for the organization's future, institutional development and fundraising, relations with cooperating and other organizations, student and alumni engagement, participation in program events, and national and international programs content.

#### Note 5 - Pledges receivable

Pledges receivable at December 31, 2020 consist of the following:

Pledges receivable less than one year	\$ 928,245
Pledges receivable one to five years	1,953,522
More than five years	13,000
	<hr/>
	2,894,767
Less: Allowance for doubtful accounts	(275,000)
Less: unamortized discount	(77,878)
	<hr/>
Pledges receivable, net	\$ 2,541,889

Pledges receivable due in excess of one year were discounted by \$77,878 at December 31, 2020, based on discount rates ranging from 1.8% to 3.5%.

## The Fund for American Studies and Affiliate

### Notes to Consolidated Financial Statements December 31, 2020

#### Note 6 - Property and equipment

Property and equipment at December 31, 2020 consists of the following:

Buildings	\$	5,367,940
Furniture and equipment		1,479,324
Website		95,357
Land		<u>2,327,023</u>
		9,269,644
Less accumulated depreciation and amortization		<u>(4,102,433)</u>
	\$	<u>5,167,211</u>

#### Note 7 - Investments

Investments at December 31, 2020 consist of the following:

Equity funds	\$	12,038,539
Fixed income funds		4,240,389
Cash and money market funds		1,116,091
Alternative investment strategies		608,239
Deferred compensation assets		134,264
Beneficial interest in trust		<u>38,171</u>
	\$	<u>18,175,693</u>

Alternative investments are comprised of an investment in a fund of funds, which is reported at net asset value ("NAV"). This investment objective is to achieve above-average appreciation by opportunistically trading and investing in a wide variety of securities, instruments, and other investment opportunities and engaging in a broad array of trading and investment strategies. Redemption is required via tender offer signed by the President of TFAS, and liquidation happens on a quarterly basis. The alternative investment fund requires NAV per share to be calculated based on measurement of all the underlying investments in the funds in accordance with FASB Accounting Standards Board Codification ("FASB ASC") Topic 820, *Fair Value Measurement*. As of December 31, 2020, there are no unfunded commitments.

Investment income for the year ended December 31, 2020, consists of the following:

Interest and dividends	\$	392,546
Net realized and unrealized gains on investments		<u>1,953,883</u>
		2,346,429
Investment fees		<u>(65,494)</u>
	\$	<u>2,280,935</u>

In 2016, TFAS received a donation of 3,182 common shares of private company stock. Given there is no active market for this stock, no contribution or asset has been recorded in these financial statements. The contribution will be recorded if/when the stock is sold.

## The Fund for American Studies and Affiliate

### Notes to Consolidated Financial Statements December 31, 2020

#### Note 8 - Annuities payable

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

During 2020, TFAS received donated condominium units as part of an annuity agreement. Ownership of the condominium units was received by TFAS and TFAS has a remainder interest in the condominium units. The donor will remain living in the property and is responsible for paying maintenance, insurance and taxes on the property. The donor will also receive quarterly payments of \$13,978 for the remainder of his life. The condominium units are recorded as part of other assets as of December 31, 2020.

The fair value of the annuity gifts over the present value of the liabilities for future payments and when applicable, the estimated value of the use of gifted property, determined on an actuarial basis, has been recognized as contributions at the dates of the gifts. Annuities are based on interest rates ranging from .6% to 5.6%, and the payment term is the annuitant's life expectancy. Following is a summary of the changes in the annuities payable for the year ended December 31, 2020:

Beginning Balance	\$	99,071
New charitable gift annuities received		1,169,299
Payments to annuitants		(41,627)
Adjustments to liability relating to passage of time and other factors		34,925
		<u>34,925</u>
	\$	<u>1,261,668</u>

The assets and corresponding liabilities (including payments currently due and the present value of the estimated future actuarial liability to annuitants, reported in other liabilities) of the gift annuities at December 31, 2020 are as follows:

Investment	\$	<u>161,738</u>
Other Assets	\$	<u>1,405,747</u>
Annuities payable	\$	<u>1,261,668</u>

#### Note 9 - Capital lease obligations

In 2018, TFAS entered into a 60-month equipment lease that qualifies as a capital lease obligation, and terminated its old equipment lease with no future obligation. The aggregate cost and accumulated amortization of the equipment totaled \$83,693 and \$50,216, respectively, at December 31, 2020, and the amortization expense of the leased asset amounted to \$16,739 for the year ended December 31, 2020.



**The Fund for American Studies and Affiliate**

**Notes to Consolidated Financial Statements  
December 31, 2020**

Future minimum lease payments under the capital lease agreements in each of the years subsequent to December 31, 2020 are as follows:

	2021	\$	16,739
	2022		16,350
			33,089
Less amounts representing interest			(789)
		<b>\$</b>	<b>32,300</b>

Interest expense for the year ended December 31, 2020 totaled \$946.

**Note 10 - Line of credit**

On November 15, 2019, TFAS entered into a line of credit agreement of up to \$5,000,000, secured by TFAS's investments. TFAS used the line of credit to pay off previous loans. Advances on the line of credit have the option of being at fixed or variable rates, at TFAS's request and the bank's approval. On April 3, 2020, the variable rate loan was refinanced to a fixed rate loan bearing interest at 1.8%, with a maturity date of March 30, 2027. The advances require payments of interest only with principal and any accrued interest due upon maturity or upon demand by the lender. The following is a summary of the amounts outstanding at December 31, 2020:

Type	Amount outstanding December 31, 2019	Interest	Maturity date
Fixed rate loan	\$ 1,440,000	3.12%	March 29, 2023
Fixed rate loan	1,440,000	2.89%	June 14, 2023
Fixed rate loan	1,920,000	1.81%	March 30, 2027
Total	\$ 4,800,000		

Interest expense for the year ended December 31, 2020 totaled \$129,095.

**Note 11 - Net assets without donor restrictions**

Net assets without donor restrictions consists of the following at December 31, 2020:

Board-designated endowment funds	
Engalitcheff Endowment Fund	\$ 2,012,750
Freedom Center Building Fund	2,479,432
David R. and Corinne Watt Jones Scholarship Fund	709,231
Lady Blanka Rosenstiel Scholarship Fund	102,223
Manuela P. Strong Endowment Fund	61,231
	5,364,867
Undesignated	5,408,239
	<b>\$ 10,773,106</b>

**The Fund for American Studies and Affiliate**

**Notes to Consolidated Financial Statements  
December 31, 2020**

**Note 12 - Net assets with donor restrictions**

As of December 31, 2020, net assets with donor restrictions are restricted for the following purposes:

Subject to expenditure for specified time and purpose	
David R. and Corinne Watt Jones Scholarships and Fellowships Fund	\$ 623,628
Eben Tisdale Fellowship	425,643
Rowny Paderewski Scholarship Fund	335,877
Alan and Rella Bates Scholarship Fund	293,065
George Viksnins Scholarship Fund	188,332
Randal C. Teague Scholarship and Fellowships Fund	133,726
Dixie Davis Scholarship Fund	128,515
Neal B. Freeman Lecture Fund	96,345
Don Lavoie Scholarship Fund	67,603
Kevin Burket Memorial Scholarship Fund	59,635
Fred Barnes Scholarship Fund	49,274
Don and Martha Sundquist Scholarship Fund	48,572
Reach Your Peak Scholarship Fund	44,339
Ream Family Fund	42,794
Krista and Paul Ritacco Scholarship Fund	47,691
Other named scholarship funds	66,915
Other scholarships and support	829,289
50th Anniversary Campaign	122,128
Fred Long estate gift for scholarships	1,143,571
Multi-year initiatives	786,910
High school (FTE) Programs	1,596,571
Subject to the passage of time	261,020
	<hr/>
	7,391,443
	<hr/>
Corpus and expendable portion of the following endowments	
Fred and Georganna Long Scholarship Fund	424,202
Arnold Garrison Scholarship Fund	235,820
John Cataldo Scholarship Fund	196,803
Hunter Hunt Scholarship Fund	853,215
James Mrazek Scholarship Fund	212,618
Dell Thurmond Woodard Fellowship	146,911
Hybl Family Scholarship	118,593
David Martin Scholarship Fund	113,836
Joseph Rago Memorial Fellowship for Excellence in Journalism	965,199
H.L. Harris Endowment at George Mason University	41,744
Branch Family Scholarship Fund	35,360
Steve and Eileen Berlin Scholarship Fund	96,698
Patt Patterson Scholarship Fund	38,619
Jimmy Dimos Family Scholarship Fund	36,802
Philip Friedmann Scholarship Fund	223,232
Goossen Family Scholarship Fund	30,385
Marilyn and John Woodhouse Scholarship Fund	231,666
	<hr/>
	4,001,703
	<hr/>
	\$ 11,393,146
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## The Fund for American Studies and Affiliate

### Notes to Consolidated Financial Statements December 31, 2020

#### Note 13 - Endowments

The Fund's endowments consist of 22 funds established to support a variety of programs at the Fund. Its endowments consist of both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets established with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### **Endowment net assets - interpretation of relevant law**

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") enacted into law in Washington, D.C. on January 23, 2008, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Fund classifies in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity, are subject to appropriation for expenditure by the Fund in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the Fund.
- (2) The preservation of the Fund and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Fund.
- (7) The investment policies of the Fund.

#### **Funds with deficiencies**

From time to time, the fair value of the assets associated with individual donor-restricted endowments may fall below the level that the donor or UPMIFA requires the Fund to retain as a fund of perpetual duration (underwater endowments). The Fund has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2020, no underwater funds were reported in net assets with donor restrictions.

#### **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

## The Fund for American Studies and Affiliate

### Notes to Consolidated Financial Statements December 31, 2020

risk and return characteristics. This strategic plan for investing the portfolio assets has been established with a time horizon of 10 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.

Endowment net asset composition by type of fund at December 31, 2020 is as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 5,364,867	\$ -	\$ 5,364,867
Donor-restricted endowment funds	-	4,001,703	4,001,703
	<u>\$ 5,364,867</u>	<u>\$ 4,001,703</u>	<u>\$ 9,366,570</u>

Changes in endowment net assets for the year ended December 31, 2020 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, January 1, 2020	\$ 4,971,777	\$ 3,239,725	\$ 8,211,502
Contributions	8,000	73,163	81,163
Interest, dividends, net of fees	152,789	98,277	251,066
Realized and unrealized gain, net	918,087	590,538	1,508,625
Appropriations	<u>(685,786)</u>	<u>-</u>	<u>(685,786)</u>
Endowment net assets, December 31, 2020	<u>\$ 5,364,867</u>	<u>\$ 4,001,703</u>	<u>\$ 9,366,570</u>

#### Note 14 - Commitments

The Fund has entered into multiple lease agreements for student housing space through August 2021. The future minimum lease payments under the operating lease agreements subsequent to December 31, 2020 are \$826,978.

The Fund also has a three-year agreement with a university 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 current contract is set to expire in 2021.

#### Note 15 - Retirement plans

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

## The Fund for American Studies and Affiliate

### Notes to Consolidated Financial Statements December 31, 2020

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 \$130,546 for the year ended December 31, 2020.

TFAS also established a 457(b) deferred compensation plan for its President in 2011. No contributions were made for the year ended December 31, 2020. The deferred compensation plan totals \$134,264, with the asset included in investments, and the liability included in accounts payable and accrued expenses on the consolidated statement of financial position.

#### Note 16 - Fair value measurements

The Fund has determined the fair value of certain assets and liabilities through application of the *Fair Value Measurement* Topic of the FASB ASC. Fair values of assets and liabilities measured on a recurring basis at December 31, 2020 are as follows:

	Fair value	Net asset value	Fair value measurements at reporting date using		
			Quoted prices in active markets for identical assets/liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2020					
Equity funds	\$ 12,038,539	\$ -	\$ 12,038,539	\$ -	\$ -
Fixed income funds	4,240,389	-	4,240,389	-	-
Cash and money market funds	1,116,091	-	1,116,091	-	-
Alternative investment strategies	608,239	608,239	-	-	-
Deferred compensation assets	134,264	-	-	134,264	-
Beneficial interest in trust	38,171	-	-	-	38,171
<b>Total assets</b>	<b>\$ 18,175,693</b>	<b>\$ 608,239</b>	<b>\$ 17,395,019</b>	<b>\$ 134,264</b>	<b>\$ 38,171</b>
Liabilities					
Deferred compensation obligations	\$ 134,264	\$ -	\$ -	\$ 134,264	\$ -

This FASB ASC topic establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and provide highest quality inputs. Level 2 inputs are based primarily on quoted prices for identical assets in inactive markets or similar assets in active or inactive markets or other significant observable inputs. Level 3 inputs provide the lowest quality inputs because there are no significant observable inputs. The Fund uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Fund measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. There have been no changes in the valuation methodologies during the current year. Money market funds reported as Level 1 inputs have been valued at the closing price reported by the fund sponsor from an actively traded exchange. Equity funds and fixed income funds have been valued at the closing price reported on the active market in which the individual securities are traded. The value of the deferred compensation obligation is based upon the underlying fair value of the deferred compensation assets. The Level 3 asset is a split interest agreement with George Mason University, which holds the assets related to the H.L. Harris Endowment. There have been no changes in the valuation methodologies used during the current year. All assets have been valued using a market approach.

Under ASU 2015-07, investments that are measured at fair value using NAV as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in

**The Fund for American Studies and Affiliate**

**Notes to Consolidated Financial Statements  
December 31, 2020**

this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

The alternative investments consist of private investment funds, which meet the criteria under generally accepted accounting principles for investments that calculate NAV per share. Inputs include the underlying equity in private investment funds, subscription and redemption rights, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers, and overall market conditions in its determination of fair value.

There were no transfers into or out of level 3 of the fair value hierarchy above, nor were there any purchases or issues of Level 3 assets or liabilities during the year ended December 31, 2020.

**Note 17 - Risks and Uncertainties - COVID-19**

The spread of a novel strain of the coronavirus ("COVID-19") has caused significant business disruptions in the United States beginning in the first quarter of 2020. Effective March 13, 2020, due to governmental restrictions, The Fund had to discontinue temporarily conducting onsite in-person program services and converted many of its programs to a virtual format with reduced enrollment. The Fund remained closed for onsite in-person program services with the exception of one FTE teacher program held in July 2020 until August 2020, at which time it reopened onsite in-person programs under reduced capacity in accordance with governmental restrictions. Management is monitoring cash flows and conducting financial modeling of future cash flows based on the current operating restrictions imposed by state and local governments. The economic impact of the business disruptions caused by COVID-19 is uncertain. The extent of any effects these disruptions may have on the operations and financial position of The Fund will depend on future developments, which cannot be determined at this time.



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