

The Fund for American Studies and Affiliate

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

**August 31, 2024
(With August 31, 2023 Summarized
Comparative Financial Information)**

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.

Opinion

We have audited the consolidated financial statements of The Fund for American Studies and Affiliate (the "Fund"), which comprise the consolidated statement of financial position as of August 31, 2024, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Fund for American Studies and Affiliate as of August 31, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"); Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of The Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Fund's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited The Fund's August 31, 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 4, 2024. In our opinion, the summarized consolidated information presented herein as of and for the year ended August 31, 2023 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Bethesda, Maryland
March 24, 2025

The Fund for American Studies and Affiliate
Consolidated Statement of Financial Position
August 31, 2024
(with Summarized Comparative Information for August 31, 2023)

	<u>Assets</u>	
	2024	2023
Cash and cash equivalents	\$ 473,396	\$ 537,882
Restricted cash	32,727	32,727
Accounts receivable	1,253,020	337,176
Pledges receivable, net	6,494,299	2,720,511
Prepaid expenses	262,462	291,242
Property and equipment, net	1,022,260	1,080,704
Investments	17,096,421	15,314,447
Deposits	250,000	250,000
Other assets	1,217,171	1,268,601
Right-of-use asset, operating lease	296,646	-
Remainder interests	274,654	249,405
	\$ 28,673,056	\$ 22,082,695
Total assets		
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 1,710,460	\$ 1,042,705
Deferred revenue	20,809	10,944
Line of credit	1,920,000	1,920,000
Operating lease liability	310,203	-
Annuities payable	1,052,486	1,103,246
	5,013,958	4,076,895
Total liabilities		
Commitments and contingencies		
Net assets		
Without donor restrictions	9,889,063	6,518,956
With donor restrictions	13,770,035	11,486,844
	23,659,098	18,005,800
Total net assets		
	\$ 28,673,056	\$ 22,082,695

See Notes to Consolidated Financial Statements.

The Fund for American Studies and Affiliate

**Consolidated Statement of Activities and Change in Net Assets
Year Ended August 31, 2024
(with Summarized Comparative Information for the Year Ended August 31, 2023)**

	2024			2023
	Without donor restrictions	With donor restrictions	Total	
Revenue and support				
Tuition, registration, housing and other fees, net of scholarships of \$1,757,250 in 2024 and \$1,938,745 in 2023	\$ 3,621,547	\$ -	\$ 3,621,547	\$ 3,006,370
Contributions	7,044,631	6,345,937	13,390,568	9,888,168
Conference income	143,448	-	143,448	86,066
Other income	1,274,182	-	1,274,182	178,124
Gain on sale of building	-	-	-	254,162
Net assets released from restrictions	5,350,066	(5,350,066)	-	-
Total revenue and support	17,433,874	995,871	18,429,745	13,412,890
Expenses				
Program services				
Graduate and professional programs	2,466,510	-	2,466,510	1,773,747
Undergraduate programs	5,015,983	-	5,015,983	4,927,078
High school programs	4,140,575	-	4,140,575	3,548,873
Other programs	362,227	-	362,227	272,783
Total program services	11,985,295	-	11,985,295	10,522,481
Supporting services				
General and administrative	987,037	-	987,037	957,547
Fundraising	2,359,950	-	2,359,950	2,077,215
Total supporting services	3,346,987	-	3,346,987	3,034,762
Total expenses	15,332,282	-	15,332,282	13,557,243
Change in net assets before investment income	2,101,592	995,871	3,097,463	(144,353)
Investment income	1,268,515	1,287,320	2,555,835	1,056,823
Change in net assets	3,370,107	2,283,191	5,653,298	912,470
Net assets, beginning of year	6,518,956	11,486,844	18,005,800	17,093,330
Net assets, end of year	\$ 9,889,063	\$ 13,770,035	\$ 23,659,098	\$ 18,005,800

See Notes to Consolidated Financial Statements.

The Fund for American Studies and Affiliate

Consolidated Statement of Functional Expenses

Year Ended August 31, 2024

(with Summarized Comparative Information for the Year Ended August 31, 2023)

	Program services				Supporting services			Total	2023 Total
	Graduate and professional programs	Undergraduate programs	High school programs	Other programs	Program services	General and administrative	Fundraising		
Salaries, payroll taxes and benefits	\$ 987,380	\$ 1,496,571	\$ 929,647	\$ 111,784	\$ 3,525,382	\$ 790,598	\$ 1,383,645	\$ 5,699,625	\$ 5,191,741
Faculty salaries and guest lecturers	25,600	127,500	685,015	-	838,115	-	-	838,115	787,077
Events	29,110	217,258	3,753	176	250,297	7,004	1,763	259,064	202,160
Student housing and campus costs	100,880	1,057,989	1,428,848	-	2,587,717	-	-	2,587,717	2,425,759
Student recruitment	14,762	58,686	187,731	-	261,179	20,778	-	281,957	282,089
Bank and credit card fees	17,709	83,830	13,595	639	115,773	6,387	6,386	128,546	89,457
University overhead	68,180	476,765	-	-	544,945	-	-	544,945	451,224
Depreciation and amortization	24,988	119,378	18,248	1,617	164,231	9,123	9,124	182,478	283,186
Professional fees	44,467	213,312	55,198	1,579	314,556	62,012	185,554	562,122	519,465
Meetings and conferences	519,203	243,888	36,032	240,603	1,039,726	18,015	18,096	1,075,837	764,962
Travel	80,522	133,828	311,467	507	526,324	2,956	90,191	619,471	506,962
Student meals	1,745	8,633	-	-	10,378	-	-	10,378	12,697
Books, curriculum and program materials	600	3,055	202,904	22	206,581	217	216	207,014	156,940
Facility costs	24,775	117,275	99,758	893	242,701	8,934	8,934	260,569	205,842
Interest expense	4,912	23,251	3,543	177	31,883	1,771	1,771	35,425	109,431
Printing and publications	5,275	21,689	3,202	148	30,314	1,480	26,180	57,974	65,184
Telephone	2,876	13,912	2,074	104	18,966	1,036	1,037	21,039	21,463
Equipment and software	87,490	369,310	105,430	2,235	564,465	22,346	74,957	661,768	519,206
Postage	616	2,340	354	18	3,328	177	2,772	6,277	16,229
Internet access and web pages	3,613	17,101	2,606	130	23,450	10,283	1,303	35,036	33,700
Photography	1,703	8,827	3,351	61	13,942	615	614	15,171	22,768
Supplies	1,770	10,092	1,257	59	13,178	594	2,205	15,977	13,105
Marketing and sponsorships	38,841	175,472	35,710	1,337	251,360	13,368	170,788	435,516	351,465
Shipping and delivery	2,324	14,636	10,487	128	27,575	838	1,267	29,680	19,987
Novak Fellowship grants	215,000	-	-	-	215,000	-	-	215,000	185,600
Novak Fellowship grant expense accounts	20,534	-	-	-	20,534	-	-	20,534	13,397
Direct mail campaign	-	-	-	-	-	-	368,737	368,737	258,720
Grants	141,371	135	-	-	141,506	-	-	141,506	1,000
Bad debts expense (recovery)	-	-	-	-	-	(30,409)	-	(30,409)	-
Other	264	1,250	365	10	1,889	38,914	4,410	45,213	46,427
Total expenses	\$ 2,466,510	\$ 5,015,983	\$ 4,140,575	\$ 362,227	\$ 11,985,295	\$ 987,037	\$ 2,359,950	\$ 15,332,282	\$ 13,557,243

See Notes to Consolidated Financial Statements.

The Fund for American Studies and Affiliate

Consolidated Statement of Cash Flows

Year Ended August 31, 2024

(with Summarized Comparative Information for the Year Ended August 31, 2023)

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ 5,653,298	\$ 912,470
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	182,478	283,186
Amortization of right-of-use asset operating lease	41,256	-
Gain on disposal of property and equipment	-	(254,162)
Net realized and unrealized gain on investments	(2,011,994)	(536,502)
Bad debt expense (recovery)	(30,409)	-
Change in discount on pledges receivable	90,291	92,039
Annuities payable	18,833	18,203
Remainder interests	(25,249)	1,984
Changes in		
Accounts receivable	(915,844)	(34,269)
Pledges receivable, net	(3,833,670)	(1,412,553)
Prepaid expenses	28,780	(115,949)
Accounts payable and accrued expenses	667,755	(6,109)
Operating lease liability	(27,699)	-
Deferred revenue	9,865	6,444
	<u>(152,309)</u>	<u>(1,045,218)</u>
Cash flows from investing activities		
Purchases of property and equipment	(72,604)	(51,970)
Proceeds from sale of property and equipment	-	3,795,782
Proceeds from sales of investments	7,758,893	7,962,775
Purchases of investments	(7,528,873)	(7,542,346)
Proceeds from life insurance policy	-	31,749
	<u>157,416</u>	<u>4,195,990</u>
Cash flows from financing activities		
Principal payments made on line of credit	-	(2,880,000)
Payments made on annuities payable	(69,593)	(69,593)
	<u>(69,593)</u>	<u>(2,949,593)</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	(64,486)	201,179
Cash, cash equivalents and restricted cash, beginning of year	<u>570,609</u>	<u>369,430</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 506,123</u>	<u>\$ 570,609</u>
Supplemental cash flow information		
Cash paid for interest	<u>\$ 35,425</u>	<u>\$ 109,431</u>
Right-of-use asset acquired through new operating lease	<u>\$ 337,902</u>	<u>\$ -</u>

See Notes to Consolidated Financial Statements.

The Fund for American Studies and Affiliate

Notes to Consolidated Financial Statements August 31, 2024

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.

Restricted cash consists of an escrow account held related to a charitable gift annuity.

The Fund for American Studies and Affiliate

Notes to Consolidated Financial Statements

August 31, 2024

Cash, cash equivalents and restricted cash on the statement of cash flows for the year ended August 31, 2024 is comprised of:

Cash and cash equivalents	\$	473,396
Restricted cash		<u>32,727</u>
Total cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows	\$	<u>506,123</u>

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 credit losses as determined by management. The allowance is provided based on a review of the estimated collectability of the specific accounts, plus a general provision based on historical loss experience, existing economic conditions and the credit losses expected to arise over the life of the receivable. Uncollectible amounts are charged off against the allowance for credit losses once management determines an account, or a portion thereof, to be worthless. At August 31, 2024, 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. Based on managements evaluation of the collectability of the pledges receivable, there is no allowance for doubtful accounts at August 31, 2024.

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.

The Fund for American Studies and Affiliate

Notes to Consolidated Financial Statements August 31, 2024

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 August 31, 2024, the cost of the asset is \$1,414,319 with accumulated depreciation of \$197,148.

Leases

The Fund accounts for leases in accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 842, *Leases*. Under ASC Topic 842, a lessee determines if an arrangement contains a lease at inception based on whether the lessee has the right to control the asset during the contract period and other facts and circumstances. The Fund has determined that its signed agreement for FTE office space fits the criteria under ASC Topic 842. Under ASC Topic 842, a right-of-use asset and lease obligations are recognized based on the present value of lease payments over the lease term, where the initial term of the lease exceeds twelve months, using an appropriate discount rate. As the rate implicit in the lease is generally not readily determinable, the Fund has elected to use the risk-free rate on the lease commencement date as the discount rate. The operating obligations are reduced as cash payments are made under the terms of the leases. Interest is charged to occupancy expense for the difference. The lease right-of-use asset is amortized over the lease term and reflected as occupancy expense, as applicable, for the difference in the accompanying consolidated financial statements. Lease expense is recognized on a straight-line basis over the term of the leases. Unless the Fund determines that it is reasonably certain that the term of a lease will be terminated early or extended through a renewal option, the term of a lease spans for the duration of the minimum noncancellable contractual term. There are no residual value guarantees. The Fund has an equipment lease that meets the criteria for accounting under Topic 842, but due to immateriality the Fund has not adopted the provisions of Topic 842 for the equipment lease.

Remainder interests

TFAS has entered into charitable remainder trust agreements. Upon the death of the donor, remaining trust assets will be distributed to the Fund. Remainder interests are classified as net assets with donor restrictions and are stated at the net present value of future distributions expected to be received, based upon the life expectancy of the donor, fair value of the trust assets and a discount rate of 7.25 percent.

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 August 31, 2024

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. There were no Board-designated endowment funds at August 31, 2024.

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. Accounts receivable at September 1, 2023 and August 31, 2024 was \$337,176 and \$1,253,020, respectively. Deferred income at September 1, 2022 and August 31, 2023 was \$10,944 and \$20,809, respectively.

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

The Fund for American Studies and Affiliate

Notes to Consolidated Financial Statements August 31, 2024

a barrier or hurdle to be entitled to the resource, and the resource provider no longer has the right of return.

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 donor or beneficiary 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 August 31, 2024. Tax years prior to 2020 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 August 31, 2024

Credit risk

The Fund maintains balances in its cash, cash equivalents and short-term investments that, at times, exceed Federal Deposit Insurance Corporation ("FDIC") limits.

The Fund's investments consist of cash and money market funds, equity funds, fixed income funds and alternative investment strategies. These investments are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments reported in the consolidated statement of financial position as of August 31, 2024. However, management is confident that the diversification of The Fund's invested assets and the nature of the invested assets should mitigate the potential for any significant impact from these risks.

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 August 31, 2023, from which the summarized information was derived.

New accounting pronouncement

FASB Accounting Standards Update 2016-13 (as amended), *Credit Losses on Financial Instruments* ("Topic 326") became effective for the Fund on September 1, 2023. Topic 326 changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments, including trade receivables, from an incurred loss model to an expected credit loss model and adds certain new required disclosures. Under the expected credit loss model, entities will recognize credit losses to be incurred over the entire contractual term of the instrument rather than delaying recognition of credit losses until it is probable the loss has been incurred. Adopting the new standard did not have a material effect on the consolidated financial statements.

Subsequent events

The Fund evaluated events and transactions for potential recognition or disclosure through March 24, 2025, the date the consolidated financial statements were available to be issued. See subsequent event disclosed in Note 13 regarding commitments.

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.

The Fund for American Studies and Affiliate

Notes to Consolidated Financial Statements August 31, 2024

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 donor-restricted endowments, which is defined as approximately 5% of the trailing 12-quarter (three-year) market value of the endowment.

As of August 31, 2024, 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	\$ 473,396
Restricted cash	32,727
Accounts receivable, net	1,253,020
Pledges receivable, net	6,494,299
Investments	17,096,421
Deposits	250,000
Remainder interests	<u>274,654</u>
	25,874,517
Less those unavailable for general expenditure within one year	
Pledges receivable due in excess of one year	(2,535,078)
Restricted cash	(32,727)
Investments held as collateral	(8,098,011)
Investments held for donor restricted endowments	(6,443,678)
Investments held for deferred compensation	(207,772)
Investments held for charitable gift annuities	(130,084)
Deposits	(250,000)
Remainder interests	<u>(274,654)</u>
Financial assets available to meet general expenditures	<u>\$ 7,902,513</u>

As noted in Note 9, as of August 31, 2024, TFAS has an additional \$3,080,000 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. Compensation for the year ended August 31, 2024 was \$95,000. These services and levels of engagement include focuses on strategic planning for the organization's future, institutional development and fundraising, relations with other organizations, student and alumni engagement, participation in program events, and national and international programs content.

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**Notes to Consolidated Financial Statements
August 31, 2024**

Note 5 - Pledges receivable

As of August 31, 2024 pledges receivable are due in the following periods:

Pledges receivable less than one year	\$ 3,959,221
Pledges receivable one to five years	<u>2,780,000</u>
	6,739,221
Less: unamortized discount	<u>(244,922)</u>
Pledges receivable, net	<u><u>\$ 6,494,299</u></u>

Pledges receivable due in excess of one year were discounted at August 31, 2024, based on discount rates ranging from 1.8% to 3.9%.

Note 6 - Property and equipment

Property and equipment at August 31, 2024 consists of the following:

Building and improvements	\$ 2,394,132
Furniture and equipment	1,430,745
Website	95,357
Land	<u>384,000</u>
	4,304,234
Less accumulated depreciation and amortization	<u>(3,281,974)</u>
	<u><u>\$ 1,022,260</u></u>

Note 7 - Investments

Investments at August 31, 2024 consist of the following:

Equity funds	\$ 10,295,600
Fixed income funds	5,181,062
Cash and money market funds	62,250
Alternative investment strategies	762,648
U.S. Treasury note	587,089
Deferred compensation assets	<u>207,772</u>
	<u><u>\$ 17,096,421</u></u>

Alternative investments consist of exchange-traded funds and 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 of shares in the Fund of funds is required via tender offer signed by the President of TFAS, and liquidation happens on a quarterly basis. The investment in the Fund of funds requires NAV per share to be calculated based on measurement of all the underlying investments in the Funds

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**Notes to Consolidated Financial Statements
August 31, 2024**

in accordance with FASB Accounting Standards Board Codification ("FASB ASC") Topic 820, *Fair Value Measurement*. As of August 31, 2024, there are no unfunded commitments.

Investment income for the year ended August 31, 2024, consists of the following:

Interest and dividends	\$ 606,360
Net realized and unrealized gain on investments	<u>2,011,994</u>
	2,618,354
Investment fees	<u>(62,519)</u>
	<u>\$ 2,555,835</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.

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 August 31, 2024.

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 August 31, 2024:

Balance at September 1, 2023	\$ 1,103,246
Payments to annuitants	(69,593)
Adjustments to liability relating to passage of time and other factors	<u>18,833</u>
Balance at August 31, 2024	<u>\$ 1,052,486</u>

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Notes to Consolidated Financial Statements August 31, 2024

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 August 31, 2024 are as follows:

Investment	<u>\$ 130,084</u>
Other assets	<u>\$ 1,217,171</u>
Annuities payable	<u>\$ 1,052,486</u>

Note 9 - 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. The line of credit agreement requires TFAS to maintain undesignated net assets to match a collateral amount, based on the release rates of each investment in the collateral investment account. 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. The advances require payments of interest only with principal and any accrued interest due upon maturity or upon demand by the lender. If the advances are not paid in full by the maturity date, the advances will convert to a variable rate. The following is a summary of the amounts outstanding at August 31, 2024:

<u>Type</u>	<u>Amount outstanding August 31, 2024</u>	<u>Interest</u>	<u>Maturity date</u>
Fixed rate advances	\$ 1,920,000	1.81%	March 30, 2027

Interest expense for the year ended August 31, 2024 totaled \$35,425.

Note 10 - Leases

In January 2024, TFAS executed a lease for office space in California under a lease that expires on December 31, 2028. The lease contains annual escalations to the base rent and a monthly rent abatement for the first 2 months of the term. Rent expense for the year ended August 31, 2024 was \$75,707, and is included in facility costs on the consolidated statements of functional expenses.

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Future minimum rental lease payments are as follows for the years ending August 31:

	2025	\$	74,480
	2026		76,715
	2027		79,016
	2028		81,387
	2029		<u>27,395</u>
	Subtotal		338,993
	Less: Imputed interest at 4.00%		<u>28,790</u>
	Present value of net minimum lease payments		310,203
	Less: current portion		<u>74,480</u>
	Long-term portion	\$	<u><u>235,723</u></u>
	Cash paid for amounts included in the measurement of lease obligations	\$	<u><u>36,510</u></u>
	Weighted-average remaining lease term		<u><u>4.3</u></u>

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**Notes to Consolidated Financial Statements
August 31, 2024**

Note 11 - Net assets with donor restrictions

As of August 31, 2024, 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	\$ 620,905
Eben Tisdale Fellowship	490,357
Rowny Paderewski Scholarship Fund	360,306
Alan and Rella Bates Scholarship Fund	289,052
George Viksnins Scholarship Fund	186,529
Randal C. Teague Scholarships and Fellowships Fund	159,746
Dixie Davis Scholarship Fund	135,501
Neal B. Freeman Lecture Fund	68,674
Don Lavoie Scholarship Fund	76,688
Kevin Burket Memorial Scholarship Fund	57,905
Fred Barnes Scholarship Fund	53,795
Don and Martha Sundquist Scholarship Fund	47,565
Reach Your Peak Scholarship Fund	52,138
Ream Family Fund	142,280
Krista and Paul Ritacco Scholarship Fund	85,830
Other named scholarship funds	132,228
Other scholarships and support	839,621
Special projects and new initiatives	2,670,556
High school (FTE) Programs	379,807
Subject to the passage of time	476,874
	<u>7,326,357</u>
Corpus and expendable portion of the following endowments	
Fred and Georganna Long Scholarship Fund	392,713
Arnold Garrison Scholarship Fund	235,128
John Cataldo Scholarship Fund	685,512
Hunter Hunt Scholarship Fund	873,334
James Mrazek Scholarship Fund	231,393
Dell Thurmond Woodard Fellowship	143,078
Hybl Family Scholarship	133,031
David Martin Scholarship Fund	117,795
Joseph Rago Memorial Fellowship for Excellence in Journalism	1,185,874
H.L. Harris Endowment at George Mason University	40,129
Branch Family Scholarship Fund	51,166
Steve and Eileen Berlin Scholarship Fund	103,744
Patt Patterson Scholarship Fund	45,412
Jimmy Dimos Family Scholarship Fund	51,898
Philip Friedmann Scholarship Fund	216,899
Goossen Family Scholarship Fund	36,109
Lady Blanka Rosenstiel Scholarship Fund	123,237
Steve and Julieta Slattery Endowed Scholarship Fund	44,564
The Hon. James B. Culbertson Scholarship Fund	222,950
The Gary and Aldona Robbins Scholarship Fund	49,905
Woodhouse Public Policy Fellowship Endowment	996,813
Marilyn and John Woodhouse Scholarship Fund	462,994
	<u>6,443,678</u>
	<u>\$ 13,770,035</u>

The Fund for American Studies and Affiliate

Notes to Consolidated Financial Statements August 31, 2024

Note 12 - Endowments

The Fund's endowments consist of 22 funds established to support a variety of programs at the Fund. Its endowments consist of donor-restricted endowment funds. As required by generally accepted accounting principles, net assets established with endowment funds 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 August 31, 2024, a fund with an original gift value of \$225,000 had a fair value of \$222,950, resulting in a deficiency of \$2,050 being reported in net assets with donor restrictions.

The endowments' return objective and risk parameters

The Fund has adopted investment and spending policies for endowment assets that attempt to provide 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 10 years and will be reviewed each year to determine if it should

The Fund for American Studies and Affiliate

Notes to Consolidated Financial Statements August 31, 2024

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 endowment.

Changes in endowment net assets for the year ended August 31, 2024 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, August 31, 2023	\$ -	\$ 4,430,451	\$ 4,430,451
Contributions	-	1,327,789	1,327,789
Interest, dividends, net of fees	-	172,458	172,458
Realized and unrealized gains	-	648,801	648,801
Appropriations	-	(135,821)	(135,821)
Endowment net assets, August 31, 2024	<u>\$ -</u>	<u>\$ 6,443,678</u>	<u>\$ 6,443,678</u>

Note 13 - Commitments

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. In September 2024, the agreement was amended, extending the term until 2026.

Note 14 - 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 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 \$162,262 for the year ended August 31, 2024.

TFAS also established a 457(b) deferred compensation plan for its President in 2011. No contributions were made for the year ended August 31, 2024. The deferred compensation plan asset and liability total \$207,772 at August 31, 2024, with the asset included in investments, and the liability included in accounts payable and accrued expenses on the consolidated statement of financial position.

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Note 15 - 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 August 31, 2024 are as follows:

	Fair value	Fair value measurements at reporting date using			
		Net asset value	Quoted prices in active markets for identical assets/liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
August 31, 2024					
Equity funds	\$ 10,295,600	\$ -	\$ 10,295,600	\$ -	\$ -
Fixed income funds	5,181,062	-	5,181,062	-	-
Cash and money market funds	62,250	-	62,250	-	-
Alternative investment strategies	762,648	363,609	399,039	-	-
U.S. Treasury note	587,089	-	-	587,089	-
Deferred compensation assets	207,772	-	207,772	-	-
Remainder interests	274,654	-	-	-	274,654
Total assets	\$ 17,371,075	\$ 363,609	\$ 16,145,723	\$ 587,089	\$ 274,654
Liabilities					
Deferred compensation obligations	\$ 207,772	\$ -	\$ 207,772	\$ -	\$ -

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 year ended August 31, 2024. 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 value of the remainder interest trust is based upon the net present value of the assets held in trust. 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 this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

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 August 31, 2024.

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Note 16 - Employee retention tax credits

As provided under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") in 2020 and amended by the Taxpayer Certainty and Disaster Relief Act of 2020, the Fund claimed refundable payroll tax credits (Employee Retention Tax Credits) totaling \$906,902 during the year ended August, 31, 2024, which are recorded as revenue on the accompanying statement of activities and change in net assets and in accounts receivable on the accompanying consolidated statement of financial position.



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