AMERICAN STUDIES CENTER

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 2017

GAFFEY DEANE & TALLEY PLC
Certified Public Accountants

AMERICAN STUDIES CENTER

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GAFFEY DEANE & TALLEY PLC
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
American Studies Center
Arlington, VA

We have audited the accompanying financial statements of American Studies Center, which comprise the financial position as of December 31, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of American Studies Center as of December 31, 2017, 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.

Gaffey Deane & Talley PLC

Reston, Virginia
September 6, 2018

AMERICAN STUDIES CENTER
STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS

Current assets	
Cash and cash equivalents	$ 2,277,087
Marketable securities	22,665
Receivables	523,833
Prepaid expenses	35,251
Total current assets	2,858,836
Fixed assets - net	41,131
Other assets	
Security deposits	25,408
Total assets	$ 2,925,375

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	751,005
Advances from customers	59,384
Total current liabilities	810,389
Deferred rent	100,473
Total liabilities	910,862
Net assets	
Unrestricted	2,014,513
Temporarily restricted	-
	2,014,513
Total liabilities and net assets	$ 2,925,375

See accompanying notes to the financial statements.

AMERICAN STUDIES CENTER
STATEMENT OF ACTIVITIES
For the year ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and other support			
General contributions	$ 3,694,932	$ –	$ 3,694,932
Advertising income	2,046,122	–	2,046,122
Grants	319,091	–	319,091
Syndication income	820,462	–	820,462
List royalty income	135,539	–	135,539
Annual Veterans Conference	496,564	–	496,564
National Memorial Day Parade	345,675	–	345,675
Investment income	14,648	–	14,648
Other income	3,220	–	3,220
Total revenues and contributions	7,876,253	–	7,876,253
Net assets released from restrictions	–	–	–
Total revenues	7,876,253	–	7,876,253
Expenses			
Programs	5,999,314	–	5,999,314
Fundraising	1,656,026	–	1,656,026
General and administrative	169,394	–	169,394
Total expenses	7,824,734	–	7,824,734
Change in net assets	51,519	–	51,519
Net assets at beginning of year			
As previously reported	2,076,945	–	2,076,945
Prior period adjustments	(113,951)	–	(113,951)
As restated	1,962,994	–	1,962,994
Net assets at end of year	$ 2,014,513	$ –	$ 2,014,513

See accompanying notes to the financial statements.

AMERICAN STUDIES CENTER
STATEMENT OF CASH FLOWS
For the year ended December 31, 2017

Cash flows from operating activities		
Change in net assets	$	51,519
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation		46,576
Loss on marketable securities		2,783
Rent expense adjustment		75,578
Changes in operating assets and liabilities:		
Receivables		(87,821)
Prepaid expenses		(35,251)
Other assets		(1,000)
Accounts payable and accrued expenses		(157,653)
Advances from customers		(160,616)
Net cash used in operating activities		(265,885)
Cash flows from investing activities		
Proceeds from sale of marketable securities		5,852
Acquisition of fixed assets		(3,796)
Net cash provided by investing activities		2,056
Net decrease in cash and cash equivalents		(263,829)
Cash and cash equivalents		
Beginning of year - as restated		2,540,916
End of year	$	2,277,087

See accompanying notes to the financial statements.

AMERICAN STUDIES CENTER
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

1. ORGANIZATION

American Studies Center (the Center), a nonprofit organization, was incorporated under the laws of Virginia to engage in nonpartisan analysis, study and research into the interrelationship of governmental systems, activities and policies on the private sector, and to make the results available to the general public through conferences, publications and radio and television productions.

The Center has two programs “Radio America” and the "The American Veterans Center". Radio America produces daily and weekly radio programs and documentaries covering a wide range of current public policy and educational issues. The American Veterans Center's mission is to preserve and promote the legacy of America's military men and women, of every generation. The Center works directly with veterans to provide a forum for them to share their lessons and experiences with the public, and with future generations. Programming includes documentaries, speaker programs, its magazine American Valor Quarterly featuring first-hand accounts directly from veterans, its annual Veterans Conference and the National Memorial Day Parade, the nation's largest Memorial Day event. The Center houses the World War II Veterans Committee, which specifically focuses on those veterans of the Greatest Generation as well as the National Vietnam Veterans Committee, which honors the service and sacrifice of all those who served in Vietnam.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Financial Statement Presentation*

The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. As of and for the year ended December 31, 2017, there were no restricted net assets. The Center prepares its financial statements on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Unrestricted Net Assets represent resources that are not subject to donor-imposed stipulations and are available for operations at management's discretion.

Temporarily Restricted Net Assets represent resources restricted by donors as to purpose or by the passage of time.

Permanently Restricted Net Assets represent resources whose use by the Center is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of the Center. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

b. ***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

c. ***Cash and Cash Equivalents***

The Center considers all cash balances and highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

d. ***Marketable Securities***

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets, which is reported as a separate component of revenue and other support. Fair value is based on closing per share sale prices.

Marketable securities consist mainly of publicly listed stocks held in a brokerage account.

e. ***Receivables and Allowance for Doubtful Accounts***

Receivables are stated at their net realizable value. This value includes an appropriate allowance for estimated uncollectable accounts to reflect any loss anticipated on the receivables and is charged to bad debt expense.

The Center maintains an allowance for doubtful accounts based upon management’s assessment of the collectability of outstanding balances. At December 31, 2017, management believes all receivables to be fully collectible and has not recorded an allowance.

f. ***Fixed Assets***

Furniture, equipment and leasehold improvements are stated at cost and are depreciated using the straight-line method over a useful life of three to ten years. The Center capitalizes all furniture and equipment acquisitions and leasehold improvements in excess of $1,500.

g. ***Fair Value Measurements***

The Center reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs used to measure fair value are categorized as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.
- Level 3 - unobservable inputs which are typically based on the Center's own assumptions, as there is little, if any, related market activity.

In determining the appropriate levels, the Center performs a detailed analysis of the assets and liabilities that are subject to the standard. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no level 3 inputs for any assets held by the Center at December 31, 2017.

The Center’s marketable securities are valued using level 1 input.

h. ***Revenue Recognition***

Contributions - Contributions and grants are reported as a change in unrestricted or temporarily restricted net assets, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Center reports the support as unrestricted.

Advertising income - Advertising income is recognized when the earnings process is complete.

i. *Functional Allocation of Expenses*

The costs of providing the Center's various activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

3. CONCENTRATIONS

The Center maintains its bank accounts with several financial institutions. Generally, accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to $250,000. As of December 31, 2017, the aggregate bank balances with two financial institutions are in excess of the federally insured limit. The Center has not experienced any losses on these bank accounts and believes it is not exposed to any significant credit risk on such accounts.

4. FIXED ASSETS

Fixed assets consist of:

	Estimated useful life	
Furniture and equipment	3 - 10 years	$ 86,945
Leasehold improvements	10 years	152,859
		239,804
Accumulated depreciation		(198,673)
		$ 41,131

In 2017, depreciation expense was $46,576.

5. CORPORATE CREDIT CARDS

The Center has two corporate credit cards with a total credit line of $95,000. At December 31, 2017, the Center had an aggregate credit balance of $2,655 on its credit cards due to overpayment, which is included in accounts payable and accrued expenses account in the statement of financial position.

6. RETIREMENT PLAN

The Center has adopted a qualified retirement plan under Section 403(b) of the Internal Revenue Code. All full time employees are eligible to participate in the Plan. The plan allows only for elective salary-deferral contributions.

7. INCOME TAXES

The Center is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on income derived from activities related to its exempt purpose. The Center is subject to income taxes on taxable income from unrelated business activities. For the year ended December 31, 2017, the Center did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

The Center is not aware of any activities that would jeopardize their tax-exempt status that would require recognition in the accompanying financial statements. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. If material omissions of income exist, tax returns may be subject to examination for up to six years. It is the Center's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in the accompanying financial statements.

As of December 31, 2017, the Center had no uncertain tax positions which should be recognized as a liability.

The Center currently has no federal income tax returns under examination.

8. COMMITMENTS

The Center is obligated, as lessee, under non-cancelable operating lease for office space which was signed in November 2006. The lease term is for ten years expiring April 30, 2017. In 2016, a lease extension was signed on August 1, 2016 extending the lease term for a period of ten years with an expiration date of July 31, 2026.

Office rent expense for the year was $338,711.

The following is a schedule by years of future minimum rental payments required under the operating lease that have an initial or remaining non-cancellable lease term in excess of one year as of December 31, 2017.

Year ending December 31	Amount
2018	$ 263,961
2019	269,887
2020	307,182
2021	314,061
2022	353,729
Thereafter	1,456,017
	$ 2,964,837

9. PRIOR PERIOD ADJUSTMENTS

In December 2017, the Center discovered various accounting errors with respect to accrual accounting, which occurred in prior year and would have impacted the reported changes in net assets for the year ended December 31, 2016. The errors were generally due to a flawed accounting process. The Center evaluated the impact that these errors would have had on the financial statements and determined that the amount of the adjustment required to correct these errors were deemed to be material to the financial statements for 2017 and 2016. The Center corrected the errors as of December 31, 2017 and have made the required adjustments to the reported results for the year ended December 31, 2017. In addition, the Center adjusted the beginning Unrestricted and temporarily restricted net assets.

The following table summarizes the impact of the accounting errors on the previously issued 2016 financial statements by caption:

	Original presentation	Prior period adjustment	Revised presentation
Cash and cash equivalents	$ 2,547,168	$ (6,252)	$ 2,540,916
Receivables	512,262	(76,250)	436,012
Total assets	3,199,049	(82,502)	3,116,547
Accrued annual leave	3,659	6,554	10,213
Deferred rent	–	24,895	24,895
Total liabilities	1,122,554	31,449	1,154,003
Unrestricted net assets	2,076,945	(113,951)	1,962,994
Total revenue and other support	7,444,277	798	7,445,075
Total expenses	7,399,470	31,449	7,430,919
Change in net assets	44,807	(30,651)	14,156

10. SUBSEQUENT EVENTS

The Center has evaluated subsequent events for recognition or disclosure through the date of the independent auditor’s report, which is the date these financial statements were available to be issued.