

AMERICAN STUDIES CENTER

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 2018



AMERICAN STUDIES CENTER

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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, 2018, and the related statements of revenues, expenses, and changes in net assets without donor restrictions, functional expenses, 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

a GDT company



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, 2018, 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
August 4, 2019

AMERICAN STUDIES CENTER
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

Current assets	
Cash and cash equivalents	\$ 2,321,432
Marketable securities	21,950
Receivables	<u>762,512</u>
Total current assets	3,105,894
Fixed assets - net	29,091
Other assets	
Security deposits	<u>24,408</u>
Total assets	<u>\$ 3,159,393</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	809,420
Advances from customers	<u>67,295</u>
Total current liabilities	876,715
Long-term liabilities	
Deferred rent	<u>170,224</u>
Total liabilities	<u>1,046,939</u>
Net assets	
Without donor restrictions	2,112,454
With donor restrictions	<u>-</u>
	<u>2,112,454</u>
Total liabilities and net assets	<u>\$ 3,159,393</u>

See accompanying notes to the financial statements.

AMERICAN STUDIES CENTER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS
For the year ended December 31, 2018

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

Revenue and other support

General contributions	\$ 3,152,711
Advertising income	1,970,121
Grants	263,306
Syndication income	844,754
List royalty income	120,411
Annual Veterans Conference	618,503
National Memorial Day Parade	447,701
Investment income	16,514
Other income	23,579
In-kind contributions	<u>180,000</u>
Total revenues	<u>7,637,600</u>

Expenses

Programs	6,191,990
Management and general	99,821
Fundraising	<u>1,247,848</u>
Total expenses	<u>7,539,659</u>

Change in net assets without donor restrictions 97,941

Net assets without donor restrictions at beginning of year 2,014,513

Net assets without donor restrictions at end of year \$ 2,112,454

See accompanying notes to the financial statements.

AMERICAN STUDIES CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Advertising and marketing	\$ 352,549	\$	\$	\$ 352,549
Bank charges and interest	8,941	116		9,057
Computer and website expense	2,431			2,431
Conferences and events	1,175,645			1,175,645
Depreciation	15,126			15,126
Dues and subscriptions	2,658	30		2,688
Equipment maintenance	2,365	2,364		4,729
Fringe benefits	136,192	5,121	2,844	144,157
Fundraising			1,165,889	1,165,889
Insurance	17,384	3,236		20,620
Miscellaneous	133	167		300
Network administration	92,795			92,795
Office expense	13,703	2,631		16,334
Office supplies	6,665	350		7,015
Postage and shipping	8,387	375		8,762
Printing	1,572			1,572
Professional fees	41,852	2,759		44,611
Programming and education	1,108,870			1,108,870
Programming	512,100			512,100
Rent and utilities	358,336			358,336
Salaries and taxes	1,947,007	82,672	79,115	2,108,794
Studio and production	134,504			134,504
Telephone	40,292			40,292
Travel and entertainment	212,483			212,483
	<u>\$ 6,191,990</u>	<u>\$ 99,821</u>	<u>\$ 1,247,848</u>	<u>\$ 7,539,659</u>

See accompanying notes to the financial statements.

AMERICAN STUDIES CENTER
STATEMENT OF CASH FLOWS
For the year ended December 31, 2018

Cash flows from operating activities

Change in net assets	\$	97,941
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		15,126
Gain on marketable securities		(182)
Changes in operating assets and liabilities:		
Receivables		(238,679)
Prepaid expenses		35,251
Other assets		1,000
Accounts payable and accrued expenses		58,415
Advances from customers		7,911
Deferred rent		69,751
Net cash provided by operating activities		46,534

Cash flows from investing activities

Proceeds from sale of marketable securities		897
Acquisition of fixed assets		(3,086)
Net cash used in investing activities		(2,189)

Net increase in cash and cash equivalents 44,345

Cash and cash equivalents

Beginning of year		2,277,087
End of year	\$	2,321,432

See accompanying notes to the financial statements.

AMERICAN STUDIES CENTER
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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 two classes of net assets: without donor restrictions, and with donor restrictions. As of and for the year ended December 31, 2018, there were no net assets with donor restrictions. 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).

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.

Notes to the Financial Statements (continued)

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, 2018, 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:

Notes to the Financial Statements (continued)

- 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, 2018.

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 revenues, expenses, and changes in net assets without donor restrictions. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include salaries and taxes, and employee benefits, which are allocated on the basis of estimates of time and effort.

Notes to the Financial Statements (continued)

3. CONCENTRATIONS OF CREDIT RISK

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, 2018, the aggregate bank balances with a financial institution is 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. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Center's financial assets as of the statement of financial position date, which are available to meet cash needs for general expenditure within one year.

Cash and cash equivalents	\$	2,321,432
Marketable securities		21,950
Receivables		762,512
	\$	<u>3,105,894</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

As part of the Center's liquidity management, it invests cash in excess of daily requirements in money market accounts and marketable securities. In addition to the above amounts, the Center has credit card accounts available for use in its daily operations.

5. FIXED ASSETS

Fixed assets consist of:

	Estimated useful life	
Furniture and equipment	<u>3 - 10 years</u>	\$ 90,033
Leasehold improvements	10 years	152,859
		<u>242,892</u>
Accumulated depreciation		<u>(213,801)</u>
		<u>\$ 29,091</u>

In 2018, depreciation expense was \$15,126.

Notes to the Financial Statements (continued)

6. CORPORATE CREDIT CARDS

The Center has two corporate credit cards with a total credit line of \$94,000. At December 31, 2018, the Center had an aggregate outstanding balance of \$13,889 on its credit cards, which is included in accounts payable and accrued expenses account in the statement of financial position.

7. 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.

8. 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, 2018, 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, 2018, 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.

9. 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 \$339,725.

Notes to the Financial Statements (continued)

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, 2018.

<u>Year ending December 31</u>	<u>Amount</u>
2019	\$ 269,887
2020	307,182
2021	314,061
2022	353,729
2023	395,034
Thereafter	<u>1,060,983</u>
	<u>\$ 2,700,876</u>

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.