

**AMERICAN STUDIES CENTER**

**INDEPENDENT AUDITOR'S REPORT**  
**AND**  
**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**



# 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, 2019, 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 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, 2019, 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, 2020

**AMERICAN STUDIES CENTER**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2019

**ASSETS**

<b>Current assets</b>	
Cash and cash equivalents	\$ 1,779,361
Receivables	551,488
Other current assets	<u>50,952</u>
Total current assets	2,381,801
<b>Fixed assets - net</b>	21,124
<b>Other assets</b>	
Security deposits	<u>24,408</u>
Total assets	<u>\$ 2,427,333</u>

**LIABILITIES AND NET ASSETS**

<b>Current liabilities</b>	
Accounts payable and accrued expenses	723,289
Advances from customers	<u>28,892</u>
Total current liabilities	752,181
<b>Long-term liabilities</b>	
Deferred rent	<u>203,536</u>
Total liabilities	<u>955,717</u>
<b>Net assets</b>	
Without donor restrictions	1,471,616
With donor restrictions	<u>-</u>
	<u>1,471,616</u>
Total liabilities and net assets	<u>\$ 2,427,333</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, 2019

**CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS**

**Revenue and other support**

General contributions	\$ 2,939,541
Advertising income	1,707,247
Grants	216,450
Syndication income	690,558
Annual Veterans Conference	688,859
National Memorial Day Parade	416,133
Investment income	21,592
Other income	97,607
In-kind contributions	<u>361,000</u>
Total revenues	<u>7,138,987</u>

**Expenses**

Programs	6,333,695
Management and general	146,256
Fundraising	<u>1,299,874</u>
Total expenses	<u>7,779,825</u>

**Change in net assets without donor restrictions** (640,838)

**Net assets without donor restrictions at beginning of year** 2,112,454

**Net assets without donor restrictions at end of year** \$ 1,471,616

See accompanying notes to the financial statements.

**AMERICAN STUDIES CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2019

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Advertising and marketing	\$ 519,050	\$	\$	\$ 519,050
Bad debt		9,000		9,000
Bank charges and interest	14,566	25		14,591
Computer and website expense	2,990			2,990
Conferences and events	1,218,563			1,218,563
Depreciation	13,413			13,413
Dues and subscriptions	2,825			2,825
Equipment maintenance	2,916	2,486		5,402
Fringe benefits	145,154	4,428	633	150,215
Fundraising			1,153,561	1,153,561
Insurance	16,864	3,618		20,482
Miscellaneous	9,467	4,825		14,292
Network administration	100,714			100,714
Office expense	8,251	899		9,150
Office supplies	8,556	1,403		9,959
Postage and shipping	11,751		16	11,767
Printing	2,078			2,078
Professional fees	83,141	7,962	50,580	141,683
Programming and education	990,303			990,303
Programming	571,985			571,985
Rent and utilities	314,761	33,087		347,848
Salaries and taxes	1,926,434	78,523	95,084	2,100,041
Studio and production	111,491			111,491
Telephone	44,429			44,429
Travel and entertainment	213,993			213,993
	<u>\$ 6,333,695</u>	<u>\$ 146,256</u>	<u>\$ 1,299,874</u>	<u>\$ 7,779,825</u>

See accompanying notes to the financial statements.

**AMERICAN STUDIES CENTER**  
**STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2019

**Cash flows from operating activities**

Change in net assets	\$ (640,838)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Bad debt	9,000
Depreciation	13,413
Changes in operating assets and liabilities:	
Receivables	202,024
Other current assets	(50,952)
Accounts payable and accrued expenses	(86,131)
Advances from customers	(38,403)
Deferred rent	33,312
Net cash used in operating activities	<u>(558,575)</u>

**Cash flows from investing activities**

Proceeds from sale of marketable securities	21,950
Acquisition of fixed assets	<u>(5,446)</u>
Net cash provided by investing activities	<u>16,504</u>

Net decrease in cash and cash equivalents (542,071)

**Cash and cash equivalents**

Beginning of year	<u>2,321,432</u>
End of year	<u>\$ 1,779,361</u>

See accompanying notes to the financial statements.

**AMERICAN STUDIES CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2019

**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, 2019, 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, if any, 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 consisted 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.

**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. *Revenue Recognition***

*Contributions* - Contributions and grants are reported as a change in net assets without donor restrictions or with donor restrictions, 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets without donor restrictions.

*Notes to the Financial Statements (continued)*

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

**h. *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.

**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, 2019, the aggregate bank balance 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	\$	1,779,361
Receivables		551,488
Other current assets		50,952
	\$	<u>2,381,801</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.

*Notes to the Financial Statements (continued)*

**5. FIXED ASSETS**

Fixed assets consist of:

	<u>Estimated useful life</u>	
Furniture and equipment	3 - 10 years	\$ 95,479
Leasehold improvements	10 years	<u>152,859</u>
		248,338
Accumulated depreciation		<u>(227,214)</u>
		<u>\$ 21,124</u>

In 2019, depreciation expense was \$13,413.

**6. CORPORATE CREDIT CARDS**

The Center has two corporate credit cards with a total credit line of \$94,000. At December 31, 2019, the Center had an aggregate outstanding balance of \$37,430 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, 2019, 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.

## *Notes to the Financial Statements (continued)*

As of December 31, 2019, 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 \$330,540.

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, 2019.

<u>Year ending December 31</u>	<u>Amount</u>
2020	\$ 276,668
2021	314,061
2022	353,729
2023	395,034
2024	403,888
Thereafter	<u>657,095</u>
	<u>\$ 2,400,475</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.

On April 13, 2020, the Center obtained a loan of \$303,600 from its main bank pursuant to the Paycheck Protection Program created by Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The loan has an interest rate of 1.00% per annum, and will be paid in 17 principal payments of \$16,867 beginning November 13, 2020 and one final principal and interest payment of \$16,881 on April 13, 2022. The loan is secured by the Center's assets.