



# THE ASPEN) INSTITUTE

## **Financial Statements**

*For the Year Ended December 31, 2015*

*(With Summarized Financial Information for the Year Ended December 31, 2014)*



**and  
Report Thereon**



**Reports Required in Accordance with  
Office of Management and Budget  
Uniform Guidance**

*For the Year Ended December 31, 2015*



**THE ASPEN INSTITUTE**  
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**For the Year Ended December 31, 2015**

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*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of  
The Aspen Institute

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Aspen Institute (the Institute), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the Institute as of December 31, 2015, 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.

**Continued**

## **Other Matters**

### *Report on Summarized Comparative Information*

We have previously audited the Institute's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2016, on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.

*Raffa, P.C.*

**Raffa, P.C.**

Washington, D.C.  
July 6, 2016

**THE ASPEN INSTITUTE**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2015**  
**(With Summarized Financial Information as of December 31, 2014)**  
**(Dollars in Thousands)**

	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,982	\$ 12,674
Accounts receivable, net	1,886	3,063
Grants and contributions receivable, net	70,702	43,374
Prepaid expenses	1,125	1,256
Inventory	132	100
Investments	143,268	116,735
Investments held for deferred compensation	3,402	3,268
Property and equipment, net	50,652	51,626
Security deposits	93	109
	<u>\$ 278,242</u>	<u>\$ 232,205</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 6,782	\$ 6,446
Grants payable	2,323	725
Customer deposits and deferred fees	6,016	5,571
Capital lease obligations	159	93
Deferred rent and lease incentive	583	691
Deferred compensation	3,402	3,268
	<u>19,265</u>	<u>16,794</u>
<b>Net Assets</b>		
<b>Unrestricted</b>		
Board-designated	80,680	82,633
Undesignated	-	1,171
	<u>80,680</u>	<u>83,804</u>
Total Unrestricted	80,680	83,804
Temporarily restricted	123,872	81,655
Permanently restricted	54,425	49,952
	<u>258,977</u>	<u>215,411</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 278,242</u>	<u>\$ 232,205</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 278,242</u>	<u>\$ 232,205</u>

The accompanying notes are an integral part of these financial statements.

THE ASPEN INSTITUTE

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)

(Dollars in Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
<b>OPERATING REVENUE AND SUPPORT</b>					
Project and federal grants	\$ 1,376	\$ 60,666	\$ -	\$ 62,042	\$ 41,914
Contributions	8,692	36,911	4,473	50,076	26,947
Seminar and event fees	9,818	-	-	9,818	10,791
Conference centers fees	10,182	-	-	10,182	8,454
Contract revenue	7,140	-	-	7,140	7,375
Investment income					
appropriated for operations	2,485	1,055	-	3,540	3,714
Sponsorship revenue	3,542	-	-	3,542	2,155
Other	424	-	-	424	208
Rental income	114	-	-	114	102
Net assets released from restrictions:					
Satisfaction of time restrictions	26,700	(26,700)	-	-	-
Satisfaction of program restrictions	28,790	(28,790)	-	-	-
	<u>99,263</u>	<u>43,142</u>	<u>4,473</u>	<u>146,878</u>	<u>101,660</u>
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>					
<b>EXPENSES AND LOSSES</b>					
Program Services:					
Policy programs	43,593	-	-	43,593	39,275
Campus activities	15,963	-	-	15,963	14,594
Public programs	11,249	-	-	11,249	10,993
Aspen Global Leadership Network	5,455	-	-	5,455	4,871
Seminars	974	-	-	974	1,087
Other restricted programs	2,236	-	-	2,236	1,384
	<u>79,470</u>	<u>-</u>	<u>-</u>	<u>79,470</u>	<u>72,204</u>
Total Program Services					
Supporting Services:					
General and administrative	19,290	-	-	19,290	16,983
Fundraising and development	3,308	-	-	3,308	2,994
	<u>22,598</u>	<u>-</u>	<u>-</u>	<u>22,598</u>	<u>19,977</u>
Total Supporting Services					
<b>TOTAL EXPENSES</b>					
	<u>102,068</u>	<u>-</u>	<u>-</u>	<u>102,068</u>	<u>92,181</u>
Loss on uncollectible pledge					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
<b>TOTAL EXPENSES AND LOSSES</b>					
	<u>102,068</u>	<u>-</u>	<u>-</u>	<u>102,068</u>	<u>93,181</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>					
	(2,805)	43,142	4,473	44,810	8,479
<b>NONOPERATING REVENUE</b>					
Investment income appropriation in excess of investment earnings	(319)	(925)	-	(1,244)	430
<b>CHANGE IN NET ASSETS</b>					
	(3,124)	42,217	4,473	43,566	8,909
<b>NET ASSETS, BEGINNING OF YEAR</b>					
	<u>83,804</u>	<u>81,655</u>	<u>49,952</u>	<u>215,411</u>	<u>206,502</u>
<b>NET ASSETS, END OF YEAR</b>					
	<u>\$ 80,680</u>	<u>\$ 123,872</u>	<u>\$ 54,425</u>	<u>\$ 258,977</u>	<u>\$ 215,411</u>

The accompanying notes are an integral part of these financial statements.

THE ASPEN INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)

(Dollars in Thousands)

	Program Services						Supporting Services			2015 Total	2014 Total	
	Policy Programs	Campus Activities	Public Programs	Aspen Global Leadership Network	Seminars	Other Restricted Programs	Total Program Services	General and Administrative	Fundraising and Development			Total Supporting Services
Salaries	\$ 15,064	\$ 1,030	\$ 3,126	\$ 2,024	\$ 492	\$ 948	\$ 22,684	\$ 8,120	\$ 1,647	\$ 9,767	\$ 32,451	\$ 28,372
Contracted services	4,354	14,421	1,790	654	120	311	21,650	2,372	179	2,551	24,201	22,385
Travel	7,541	103	3,941	1,650	116	348	13,699	772	360	1,132	14,831	13,121
Fringe benefits	4,353	260	911	607	143	287	6,561	2,136	500	2,636	9,197	7,496
Awards and scholarships	5,140	-	208	35	-	1	5,384	-	-	-	5,384	3,037
Grants	3,101	-	-	-	-	-	3,101	-	-	-	3,101	3,017
Supplies	511	-	485	115	45	154	1,310	1,096	206	1,302	2,612	2,941
Depreciation and amortization	-	-	-	-	-	-	-	2,761	-	2,761	2,761	2,742
Occupancy and utilities	1,495	118	220	141	6	66	2,046	759	97	856	2,902	2,498
Partner reimbursements	1,034	-	-	-	-	42	1,076	-	-	-	1,076	2,176
Publications	628	6	419	182	44	65	1,344	147	56	203	1,547	1,959
Communications	372	25	149	47	8	14	615	824	27	851	1,466	1,206
Bad debts	-	-	-	-	-	-	-	5	236	241	241	851
Insurance	-	-	-	-	-	-	-	294	-	294	294	284
Other	-	-	-	-	-	-	-	4	-	4	4	96
<b>TOTAL EXPENSES</b>	<b>\$ 43,593</b>	<b>\$ 15,963</b>	<b>\$ 11,249</b>	<b>\$ 5,455</b>	<b>\$ 974</b>	<b>\$ 2,236</b>	<b>\$ 79,470</b>	<b>\$ 19,290</b>	<b>\$ 3,308</b>	<b>\$ 22,598</b>	<b>\$ 102,068</b>	<b>\$ 92,181</b>

The accompanying notes are an integral part of these financial statements.

**THE ASPEN INSTITUTE**

**STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2015**

**(With Summarized Financial Information for the Year Ended December 31, 2014)**

**Increase (Decrease) in Cash and Cash Equivalents**

**(Dollars in Thousands)**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 43,566	\$ 8,909
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,761	2,742
Unrealized gains on investments	(2,091)	(4,809)
Realized losses on investments	28	838
Contributions restricted for long-term purposes	(4,473)	(4,149)
Change in the present value discount for grants and contributions	1,000	123
Change in allowance for doubtful accounts	(211)	(786)
Changes in assets and liabilities:		
Accounts receivable	1,177	(1,140)
Grants and contributions receivable	(28,117)	1,143
Prepaid expenses	131	(547)
Inventory	(32)	16
Security deposits	16	(8)
Accounts payable and accrued expenses	336	729
Grants payable	1,598	(347)
Customer deposits and deferred fees	445	849
Deferred rent and lease incentive	(108)	691
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>16,026</b>	<b>4,254</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(1,667)	(1,484)
Purchases of investments	(203,767)	(68,711)
Proceeds from sales of investments	179,297	67,801
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(26,137)</b>	<b>(2,394)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on capital lease obligations	(54)	(45)
Contributions restricted for long-term purposes	4,473	4,149
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>4,419</b>	<b>4,104</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(5,692)</b>	<b>5,964</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>12,674</b>	<b>6,710</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 6,982</b>	<b>\$ 12,674</b>

The accompanying notes are an integral part of these financial statements.

Continued



**THE ASPEN INSTITUTE**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2015**  
**(With Summarized Financial Information for the Year Ended December 31, 2014)**  
**Increase (Decrease) in Cash and Cash Equivalents**  
**(Dollars in Thousands)**

(Continued)

	2015	2014
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 4	\$ 3
<b>NONCASH INVESTING ACTIVITIES</b>		
Leasehold improvements acquired in operating lease	\$ -	\$ 333
Deferred lease incentive included in operating lease	-	(333)
Net Investing Activities Cash Outlay	\$ -	\$ -
<b>NONCASH FINANCING ACTIVITIES</b>		
Equipment acquired under a capital lease	\$ 80	\$ 22
Obligation of equipment acquired under a capital lease	(80)	(22)
Net Capital Lease Activities	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

# THE ASPEN INSTITUTE

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

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### 1. Organization and Summary of Significant Accounting Policies

#### **Organization**

The Aspen Institute (the Institute) is a Colorado nonprofit corporation that is funded mainly through conference, seminar and event fees, contracts, and grants and contributions from foundations, individuals, and corporations. The primary purpose of the Institute is twofold: to foster values-based leadership, encouraging individuals to reflect on the ideals and ideas that define a good society, and to provide a neutral and balanced venue for discussing and acting on critical issues. It convenes leaders and emerging leaders from around the world to focus on critical, value-laden issues that confront societies, organizations and individuals. Utilizing the rigorous discipline of informed dialogue and inquiry, the Institute's programs enhance the participants' ability to think clearly about such issues while still remaining mindful of the primacy of the moral perspective and the importance of differing viewpoints.

The Institute's principal office is located in Washington, DC. Its conference facilities are in Aspen, Colorado, and on the Wye River in Maryland. The Institute also has offices in New York City. The Institute operates outside the United States through a network of partners based in France, Germany, Italy, Spain, Prague, Mexico, India, Romania, Ukraine and Japan. Each of the foreign entities operates as a separate and distinct organization, with no support or financial relationship to the Institute.

#### **Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting.

#### **Cash Equivalents**

The Institute considers highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents held for investing purposes are considered investments.

#### **Investments**

The Institute invests in a professionally managed portfolio that contains money market funds, U.S. government securities, corporate and foreign bonds and limited partnerships. Investments are reported in the accompanying statement of financial position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability through an orderly transaction between market participants at the measurement date. Purchases and sales are reflected on a trade date basis. Interest, dividends and realized gains or losses are recorded when earned. Changes in the fair value of the portfolio are recorded as unrealized gains or losses. Donated investments are recorded as contributions based on their fair market value at the date of donation.

The estimated fair value of investments in limited partnerships, which are not readily marketable, is based on the ownership percentage of the underlying fund or partnerships' capital as of the measurement date. The funds and partnerships value underlying securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment funds and partnerships, which may include

# THE ASPEN INSTITUTE

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

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### 1. Organization and Summary of Significant Accounting Policies (continued)

#### **Investments (continued)**

private placements and other securities for which prices are not readily available, are determined by the general partners or managers of the respective investment partnerships and funds, and may not reflect amounts that could be realized upon immediate sale nor amounts that may be ultimately realized. The Institute follows the accounting guidance that permits, as a practical expedient, the fair value of investments within its scope to be estimated using net asset value (NAV) or its equivalent. Because of the inherent uncertainty of the valuation of these funds and of certain of the underlying investments held by these funds, their values may differ significantly from values that would have been used had a ready market for the investments existed.

#### **Fair Value of Financial Instruments**

In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, the Institute has categorized its applicable assets and liabilities measured at fair value into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Institute has the ability to access.

*Level 2* – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

*Level 3* – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

As of and for the year ended December 31, 2015, only the Institute's investments, as described in Note 3 of these financial statements, were measured at fair value on a recurring basis.

#### **Accounts, Grants and Contributions Receivable**

Accounts, grants and contributions receivable are recorded at their present net realizable value. Accounts past due are individually analyzed for collectibility. When all collection efforts have been exhausted, the account is written off against an allowance account. Management annually adjusts the allowance account based upon its estimate of those accounts, grants and contributions receivable it believes to be uncollectible.

Continued

# THE ASPEN INSTITUTE

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

### 1. Organization and Summary of Significant Accounting Policies (continued)

#### **Property and Equipment and Related Depreciation and Amortization**

Land, buildings and other property and equipment purchases greater than \$5,000 are capitalized and carried at cost. Donated land, buildings and other property and equipment are stated at fair market value at the date of donation. Expenditures for major additions, renewals and improvements are capitalized; expenditures for repairs and maintenance are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation and amortization are eliminated from the accounts and the resulting gain or loss is reflected in the accompanying statement of activities. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets. Costs related to construction in progress are not depreciated until the assets are completed and placed in service.

The estimated useful lives for property and equipment are as follows:

<u>Category</u>	<u>Estimated Life</u>
Buildings and improvements	3-35 years
Furniture and fixtures	3-13 years
Computers and software	3-5 years
Equipment	5-10 years
Ground improvements	3-40 years
Property held under capital lease	4-5 years
Leasehold improvements	Shorter of remaining term of lease or 3-10 years

#### **Impairment of Long-Lived Assets**

The Institute reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. As of December 31, 2015, the Institute has not recognized an impairment loss.

#### **Classification of Net Assets**

The net assets and revenues of the Institute are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Institute and changes therein are classified and reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the Institute's general operations, including amounts designated by the Board of Trustees.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for various programs or for specific future time periods.
- Permanently restricted net assets represent the endowment funds of the Institute, which are required to be held in perpetuity.

Continued

## THE ASPEN INSTITUTE

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

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#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### **Support and Revenue Recognition**

The Institute reports unconditional gifts and grants of cash and other assets as unrestricted and available for general operations unless specifically restricted by the donor. If gifts and grants are received with donor stipulations that limit the use of the donated funds or assets to a particular purpose or to specific time periods, the Institute reports them as temporarily restricted. When a stipulated time restriction ends or purpose restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional gifts and grants that are expected to be collected within one year are recorded at net realizable value. Unconditional gifts and grants that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using a rate commensurate with the risks identified. Amortization of the discounts is included in contribution revenue.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned. Accordingly, advance collections from customers for use of the Institute's facilities are recorded as customer deposits and recognized as revenue when services are provided. Conference center, seminar and event fees are recorded in the period in which the applicable event takes place or service is provided.

##### **Functional Allocation of Expenses**

The costs of providing various general and administrative expenses (such as accounting, human resources and systems support) are allocated among programs and supporting activities based on budgeted levels of related departmental costs. Other expenses that benefit both supporting and program activities, such as occupancy and depreciation, are allocated based on estimated usage or other relevant factors.

##### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### **Measure of Operations**

Operating revenue and expenses generally reflect those revenues and expenses that management can influence, including annual authorized operating support from the endowment and investment pool based on the spending formula established by the Institute's Board of Trustees. Non-operating activities include investment earnings (losses) of the investment portfolio in excess of endowment and other earnings appropriated for expenditure.

THE ASPEN INSTITUTE

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

2. Grants and Contributions Receivable

Grants and contributions receivable include unconditional promises to give from foundations, corporations and individual donors, which were due as follows as of December 31, 2015 (in thousands):

Less than one year	\$ 7,671
One to five years	63,640
Beyond five years	<u>2,867</u>
Total Grants and Contributions Receivable	74,178
Less: Discount to Net Present Value (3.9%)	(1,481)
Less: Allowance for Doubtful Accounts	<u>(1,995)</u>
Grants and Contributions Receivable, Net	<u>\$ 70,702</u>

During 2015, the Institute received a contribution from one of its board members in the amount of \$10 million to establish a term endowment for a leadership fund. The same board member has conditionally promised an additional \$2 million match if the Institute is able to raise \$7 million of contributions toward the leadership fund from other donors. As of December 31, 2015, the Institute has not raised any additional funds, and therefore it has not recognized any revenue from the conditional pledge.

3. Investments

The Institute's investments, at fair value, consisted of the following as of December 31, 2015 (in thousands):

Limited partnerships	\$ 118,179
U.S. government securities	12,450
Corporate obligations	3,982
Foreign bonds	304
Money market funds	<u>8,353</u>
Total Investments	<u>\$ 143,268</u>

As of December 31, 2015, approximately 82% of the Institute's investments were invested in limited partnerships, which are generally not readily marketable. Accordingly, the fair value of these investments may differ materially from the value that would have been used had an established market for such investments existed. Future events will also affect the estimates of fair value, and the effect of such events could be material.

**THE ASPEN INSTITUTE**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

3. Investments (continued)

Investment returns for the year ended December 31, 2015 (in thousands) were as follows:

Unrealized gains	\$ 2,091
Interest and dividends	265
Realized losses	(28)
Management fees	<u>(32)</u>
Net Investment Gain	2,296
Less: Earnings Appropriated for Expenditure	<u>(3,540)</u>
Investment Appropriation in Excess of Earnings	<u>\$ (1,244)</u>

In May 2015, the Financial Accounting Standards Board (FASB) issued amended guidance on the disclosures for investments in certain entities that calculate NAV per share (or its equivalent). The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. Rather, those disclosures are limited to investments for which the entity has not elected to measure the fair value using that practical expedient. The Institute has adopted the guidance for the year ended December 31, 2015.

The following table summarizes the Institute's investments measured at fair value on a recurring basis as of December 31, 2015 (in thousands):

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments:				
Money market funds	\$ 8,353	\$ 8,353	\$ -	\$ -
Fixed income:				
Corporate obligations	3,982	-	3,982	-
U.S. Treasury obligations	1,344	-	1,344	-
U.S. government securities	11,106	-	11,106	-
Foreign bonds	<u>304</u>	<u>-</u>	<u>304</u>	<u>-</u>
Subtotal	<u>25,089</u>	<u>8,353</u>	<u>16,736</u>	<u>-</u>
Limited partnerships	<u>118,179</u>			
Total investments	<u>143,268</u>			

Continued

**THE ASPEN INSTITUTE**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

3. Investments (continued)

(continued)	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments held for deferred compensation:				
Mutual funds	2,493	-	2,493	-
Variable annuities	274	-	274	-
Investment contract with insurance company	<u>635</u>	<u>-</u>	<u>-</u>	<u>635</u>
Total investments held for deferred compensation	<u>3,402</u>	<u>-</u>	<u>2,767</u>	<u>635</u>
Total	<u>\$ 146,670</u>			

The Institute used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

*Limited partnerships* – These consist of investments in partnerships that trade and invest in domestic and international equity funds, hedge funds and real asset funds, as well as marketable equity securities, debt instruments, convertible securities, options, warrants, futures, swaps, other derivatives and nonpublic securities. The partnerships are subject to certain restrictions and generally have no established trading market. Fair value is determined based on the partnership or fund’s NAV as provided by the partnership’s fund management or the general partner of the respective fund.

*Money market funds and fixed income securities* – Where quoted prices are available in an active market, the investments are classified within Level 1 of the valuation hierarchy. Level 1 investments include money market funds. If quoted market prices in an active market are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. These instruments in the investment portfolio, which would generally be classified within Level 2 of the valuation hierarchy, include U.S. Treasury obligations, U.S. government securities, and corporate and foreign bonds. Investments held for deferred compensation include mutual funds, variable annuities and an investment contract with an insurance company. The mutual funds are valued at the NAV of units held and are classified within Level 2 of the valuation hierarchy, as the mutual funds are not traded on a public exchange. The investment contract with an insurance company is classified within Level 3. The variable annuities are primarily valued using market quotations or prices obtained from independent pricing sources that may employ various pricing methods to value the investments, including matrix pricing.

Continued



**THE ASPEN INSTITUTE**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015**

3. Investments (continued)

The following represents the Institute's activity for the Level 3 investments for the year ended December 31, 2015 (in thousands).

	Investment Contract
Balance at December 31, 2014	\$ 527
Purchases	318
Sales	-
Net realized and unrealized gains (losses)	(210)
Balance at December 31, 2015	\$ 635

The amount of gains and losses for the year ended December 31, 2015, included in the change in net assets attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2015 (in thousands)

\$ (210)

The Institute invests in certain entities that calculate NAV per share in accordance with guidance relative to investment companies, and these investments are reported at fair value based on the NAV per share, as reported by the investee. As of December 31, 2015, a summary of the significant categories of such investments and their attributes is as follows (in thousands):

	Fair Value	Number of Funds	Unfunded Commitments	Redemption Terms and Restrictions
Limited Partnerships(a)	\$ 118,179	4	\$ 71	Redemption of one of the funds is available at the end of each calendar year with notification required prior to September 1. The other three funds, which are less than 1% of holdings, are not eligible for redemption.
Total	\$ 118,179		\$ 71	

(a) Limited partnerships – This category includes investments in limited partnerships whose strategies include, but are not limited to, direct and indirect company co-investments, buyouts, public to private transactions, and strategic and growth capital investments. The limited partnership that is eligible for redemption invests with a long-term horizon, seeking

## THE ASPEN INSTITUTE

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

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#### 3. Investments (continued)

varied and non-traditional investment opportunities, in an effort to provide a diversified, single-portfolio investment strategy for investors. This partnership invests primarily through its affiliated sub-partnerships, although it may also invest directly in securities and other assets. The partnership and sub-partnerships invest in securities, forward contracts, future contracts, swap contracts, option contracts and other assets. One limited partnership that is not currently eligible for redemption invests in limited partnerships that primarily make venture capital investments in emerging growth companies, domestic and international private equity investments with the objective of obtaining long-term capital growth and in equity securities, warrants, or other options that are generally not actively traded at the time of investment. A third limited partnership is the illiquid balance remaining after redemption of the partnership investment.

The one limited partnership which is available for redemption makes up \$116.872 million of the total value. It is available for redemption at the end of each calendar year with notification prior to September 1 that precedes the applicable redemption date, with a minimum withdrawal of the lesser of \$2.5 million or the remaining capital balance, and other periodic withdrawals are permitted at the discretion of the general partner. Another limited partnership, which makes up \$289 thousand of the total value, is illiquid. The remaining limited partnerships, which make up \$1.018 million of the total value, are not eligible for redemption.

#### 4. Property and Equipment and Accumulated Depreciation and Amortization

The Institute held the following property and equipment as of December 31, 2015 (in thousands):

Buildings and improvements	\$	67,089
Land		10,628
Furniture and fixtures		4,667
Equipment		4,369
Ground improvements		2,141
Computers and software		1,616
Leasehold improvements		977
Property held under capital lease		922
Artwork		959
Construction in progress		<u>320</u>
Total Property and Equipment		93,688
Less: Accumulated Depreciation and Amortization		<u>(43,036)</u>
Net Property and Equipment	\$	<u>50,652</u>

Depreciation and amortization expense was \$2.761 million for the year ended December 31, 2015.

Continued

## THE ASPEN INSTITUTE

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

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#### 5. Grants Payable

As of December 31, 2015, grants payable of \$2.323 million represented unconditional promises to give which were due in less than one year.

#### 6. Commitments and Risks

##### **Line of Credit**

The Institute entered into a revolving line of credit agreement with a financial institution on December 31, 2009. Under the agreement, the Institute can borrow up to \$5 million. Interest charged on any borrowings is calculated using a variable interest rate based on the one-month London Interbank Offered Rate (LIBOR) plus 2.25%. As of December 31, 2015, the interest rate was 2.68%. This line of credit agreement is reevaluated and renewed annually by the financial institution. There were no borrowings during the year, nor was there a balance due on the line of credit agreement as of December 31, 2015.

##### **Concentration of Credit Risk**

The Institute maintains its cash and cash equivalents in various bank deposit accounts that, at times, exceed federally insured limits and, therefore, bear some risk. The amount in excess of the limit guaranteed by federal agencies was \$7.822 million as of December 31, 2015. The Institute has not experienced, nor does it anticipate, any loss of funds.

##### **Commitments**

Under the terms of the President's agreement, the President may be eligible for severance pay if the Institute terminates his employment without cause.

#### 7. Leases

##### **Operating Leases**

The Institute occupies office space under various noncancelable operating lease agreements in Washington, DC, and New York City. The leases contain escalation clauses for taxes and operating expenses. The office lease for the New York City office expires on December 31, 2021, and the leases for the Washington, DC, offices expire on April 30, 2019. The Washington, DC, office leases may be terminated before the expiration date if the landlord gives the Institute written notice of termination. During 2014, the Washington, DC, office leases were amended for additional space. Under the terms of the amended leases, the landlord provided the Institute with free rent and tenant improvement allowances as an incentive to enter into the amended lease agreement. Under GAAP, all lease incentives and fixed rent increases are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent in the accompanying statement of financial position.

**THE ASPEN INSTITUTE**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015**

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7. Leases (continued)

**Operating Leases (continued)**

As of December 31, 2015, future minimum lease payments are as follows (in thousands):

For the Year Ending December 31,		
2016	\$	2,663
2017		2,731
2018		2,789
2019		1,209
2020		407
Thereafter		406
Total	\$	10,205

Rent expense incurred under the operating leases was \$2.902 million for the year ended December 31, 2015.

**Capital Leases**

The Institute leases various transportation and office equipment under capital leases that expire at various times through 2017. Future minimum lease payments required under the Institute's capital leases are as follows (in thousands):

For the Year Ending December 31,		
2016	\$	84
2017		71
2018		11
Total Future Minimum Lease Payments		166
Less: Amount Representing Interest		(7)
Present Value of Net Minimum Lease Payments	\$	159

Interest rates on capital leases were imputed based on the lower of the Institute's incremental borrowing rate at the inception of each lease or the implicit rate of return. Interest expense under the capital leases was \$4 thousand for the year ended December 31, 2015.

# THE ASPEN INSTITUTE

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

### 8. Net Assets

#### **Board-Designated Net Assets**

Board-designated net assets consisted of the following at December 31, 2015 (in thousands):

Plant fund	\$	47,883
Quasi-endowment		21,421
Aspen Global Leadership Network		5,357
Operating fund – reserves and special projects		2,072
Policy programs funds		2,863
Other programs		<u>1,084</u>
Total	\$	<u>80,680</u>

#### **Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of the following at December 31, 2015 (in thousands):

Purpose:		
Policy programs	\$	33,345
Endowment earnings		9,387
Term endowment – Leadership Fund		10,000
Public programs		7,122
Aspen Global Leadership Network		6,953
Other restricted programs		6,443
Development		<u>57</u>
Total Purpose Restricted		73,307
Time:		
Time restricted		<u>50,565</u>
Total	\$	<u>123,872</u>

#### **Permanently Restricted Net Assets and Endowment**

The Institute's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Institute's endowment fund includes unrestricted quasi-endowments, temporarily restricted unexpended endowment earnings and permanently restricted net assets.

#### **Interpretation of Relevant Law**

The Board of Trustees of the Institute has interpreted the enacted version of the District of Columbia Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Institute classifies as permanently restricted net assets (a) the original value

THE ASPEN INSTITUTE

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

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8. Net Assets (continued)

**Permanently Restricted Net Assets and Endowment (continued)**

*Interpretation of Relevant Law (continued)*

of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund, that is not classified in permanently restricted net assets, is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Institute and the donor-restricted endowment fund.
- General economic conditions.
- The possible effects of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Institute.
- The investment policies of the Institute.

*Return Objectives and Risk Parameters*

The mission of the Institute's long-term investment pool is to provide a common investment vehicle that will generate a stable and continuously growing income stream for the Institute's endowment, quasi-endowment and operating reserve funds, for which the Institute is both the trustee and the beneficiary. The overall goal of the investment pool is to preserve the purchasing power of the future stream of endowment payout for those funds and activities supported by the endowments and, to the extent this is achieved, to cause the principal to grow in value over time. Other goals include:

- To maximize return within reasonable and prudent levels of risk.
- To maximize the value of the endowment while maintaining liquidity needed to support spending in prolonged down markets.

*Strategies Employed for Achieving Objectives*

Extensive diversification is sought at all times. Experience has shown that financial markets and inflation rates are cyclical and, therefore, control of volatility will be achieved through diversification of asset classes and selection of managers of diverse investment styles. The Board of Trustees examines the correlation of historic returns among each asset class and manager. Investment managers are appointed following a systematic search for those with demonstrated quality in the style desired. Managers are given discretion to manage funds entrusted in accordance with the style for which they are employed, provided they comply with the restrictions and limitations that may be determined by the Institute from time to time.

Continued

**THE ASPEN INSTITUTE**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015**

8. Net Assets (continued)

**Permanently Restricted Net Assets and Endowment (continued)**

Spending Policy

The Institute will appropriate for expenditure in its annual budget a maximum of 4.5% of the rolling average of the market value of the endowment assets over the preceding 12 quarters, the base to be adjusted for new capital contributions to the endowment. There may be times when the Institute may opt not to take the maximum spending rate, but rather to reinvest some of the annual return. This spending rate is based on the long-term assumption of 7.5% nominal investment returns and a 3% inflation rate. The spending rate for the year ended December 31, 2015, was 2.6%.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual endowment funds may fall below the fair value of the original gift(s). Deficiencies of this nature are reported as part of unrestricted net assets. As of December 31, 2015, there were no such deficiencies.

The Institute's endowment net asset composition by fund type was as follows as of December 31, 2015 (in thousands):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 19,387	\$ 54,425	\$ 73,812
Board-designated endowment funds	21,421	-	-	21,421
Total Endowment Net Assets	\$ 21,421	\$ 19,387	\$ 54,425	\$ 95,233

The endowment activity was as follows for the year ended December 31, 2015 (in thousands):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 20,887	\$ 9,364	\$ 49,952	\$ 80,203
Investment return:				
Interest and dividends	1	36	-	37
Net investment gains (realized and unrealized)	397	1,018	-	1,415
Total investment return	398	1,054	-	1,452
Contributions/Additions	875	10,950	4,473	16,298
Appropriation of endowment assets for expenditure	(739)	(1,981)	-	(2,720)
Endowment net assets, end of year	\$ 21,421	\$ 19,387	\$ 54,425	\$ 95,233

Continued

**THE ASPEN INSTITUTE**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015**

8. Net Assets (continued)

**Permanently Restricted Net Assets and Endowment (continued)**

*Funds with Deficiencies (continued)*

The Institute's donor-restricted endowment net assets were as follows as of December 31, 2015 (in thousands):

Permanently restricted net assets:	
The portion of perpetual endowment funds that are required to be retained permanently, either by explicit donor stipulation or by UPMIFA	<u>\$ 54,425</u>
Temporarily restricted net assets:	
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:	
Without purpose restrictions	\$ -
With purpose restrictions	<u>19,387</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ 19,387</u>

Permanently restricted net assets are subject to donor-imposed restrictions requiring that the principal be invested in perpetuity. Income on these funds is temporarily restricted for purposes imposed by the donors. Permanently restricted net assets consisted of the following as of December 31, 2015 (in thousands):

Henry Crown Endowment	\$ 24,604
AGLN Endowed Programming	5,375
Harman/Eisner Artist in Residence	4,110
Socrates Society Endowment	3,396
Endowed Scholarships and Fellowships	3,204
Lauder International Fund Endowment	2,500
Hurst Student Seminars	2,000
Harman Family Endowment	2,000
Melva Bucksbaum Endowment	1,016
Lauder Seminar Endowment	1,000
McCloskey Speaker Series	1,000
Leadership Fund	860
Berwick Chair	831
Socrates Program Endowment	796
Steel Endowment	667
Calaway Education Fund	519
Hearst Foundation NPSRF Endowment	200
Robert McKay Endowment	194
Musser Japanese Garden	<u>153</u>
Total	<u>\$ 54,425</u>

Continued



## THE ASPEN INSTITUTE

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

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#### 9. Employee Benefit Arrangements

##### **Defined Contribution Plan**

The Institute sponsors a defined contribution plan. Benefits are administered through the Teachers Insurance and Annuity Association - College Retirement Equities Fund.

The plan was initially established on January 1, 1964. The plan was last amended on January 1, 2009, in order to comply with certain Internal Revenue Service (the IRS) regulations. An employee is eligible to participate in the elective deferral portion of the plan on the date of hire. There is no minimum age an employee must attain to become a participant in the plan for purposes of making voluntary deferrals. An employee may begin participation in the employer contribution portion of the plan upon completion of a 12-month period during which the employee attains at least 1,000 hours of service and has also attained age 21.

For all eligible employees hired prior to February 1, 2002, the Institute contributes 15% of each participant's eligible wages. For all eligible participants hired on or after February 1, 2002, the Institute contributes between 5% and 10% of each participant's eligible wages, depending on each employee's years of service. The Institute also matches up to 5% of employee deferrals if the employee participates in the tax-deferred option of the plan. Voluntary employee contributions are made on a monthly basis, subject to legal limits. The Institute made a contribution of \$2.975 million for the year ended December 31, 2015.

##### **Deferred Compensation**

The Institute established a 457(b) deferred compensation plan on behalf of certain executives of the Institute, effective September 1, 2002. The deferred compensation plan was organized under Section 457(b) of the Internal Revenue Code (the IRC) and is unfunded. Any distributions under the plan are to be made out of the general assets of the Institute. The Institute has set aside funds to meet this obligation. Total investments held under the deferred compensation plan, as well as the related liability, are \$3.402 million as of December 31, 2015.

##### **Self-Insured Medical Plan**

The Institute maintains a self-insured medical plan for the benefit of its employees. A stop-loss policy is in effect, which limits the Institute's loss per individual employee to \$75 thousand and an aggregate stop-loss of \$2.996 million. The plan is administered through a contractual relationship with an unrelated company. The Institute is solely responsible for all claims incurred up to the amount of the stop-loss provisions. The Institute's expense under the plan amounted to \$4.347 million for the year ended December 31, 2015. The Institute included a provision for estimated claims in accounts payable and accrued expenses in the accompanying statement of financial position in the amount of \$1.145 million as of December 31, 2015.

##### **Retiree Medical Benefits**

The Institute also provides retiree health coverage for current and future retirees. All employees may become eligible for these benefits if they reach normal retirement age while working for the Institute and meet certain service requirements. The retiree is responsible for the entire cost of the insurance premium.

THE ASPEN INSTITUTE

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

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10. Contingencies

**Office of Management and Budget Uniform Guidance**

The Institute has instructed its independent auditors to audit its applicable federal programs for the year ended December 31, 2015, in compliance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), issued by the U.S. Office of Management and Budget (OMB). Until such audit is reviewed and accepted by the contracting or granting agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the reviews by the federal or state agencies of the independent auditor's reports for the year ended December 31, 2015, will not have a material effect on the Institute's financial position as of December 31, 2015, or its results of operations for the year then ended.

**Indirect Cost Reimbursement**

Billings under cost-reimbursable government contracts and grants are calculated using provisional rates that permit recovery of indirect costs. These rates are subject to audit by the U.S. Agency for International Development (USAID), the Institute's cognizant agency. The audit results in the negotiation and determination of the final indirect cost rates, which may create availability for indirect cost recovery for amounts billed in excess of the actual rates, or may allow for additional billings for unbilled indirect costs.

USAID audits costs related to U.S. government contracts and grants, in accordance with cost principles issued by the OMB. USAID has yet to audit the costs and indirect cost rates for the year ended December 31, 2015. Management believes that cost disallowances, if any, arising from USAID's audit will not have a material effect on the Institute's financial position as of December 31, 2015, or its results of operations for the year then ended.

11. Management Contracts

The Institute has an agreement with the Marriott Corporation to manage and operate the Wye River Conference Center. This agreement provides for a 3% management fee assessed on gross revenue plus an incentive management fee of 20% to 40%, based on cash flow in excess of owner's priority and certain dollar thresholds. The second term of the agreement expired on December 31, 2015, but was renewed for an additional three years, expiring on December 31, 2018.

The Institute has a management contract with Wyndham Worldwide Corporation (Wyndham) to manage the conference facilities in Aspen, Colorado. Wyndham annually establishes procedures and rates for use of the facilities for the Institute's groups and other local nonprofit groups with the prior approval of the Institute. Wyndham's management is monitored annually using performance standards established by the Institute and is compensated based on an incentive management fee schedule. The initial term of the agreement expired on December 31, 2006, but was renewed for an additional ten years, expiring on December 31, 2016.

THE ASPEN INSTITUTE

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2015

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12. Financial Instruments

The methods and significant assumptions used to estimate the fair value of financial instruments are as follows:

*Cash equivalents, trade receivables, deposits, accounts payable, accrued expenses, grants payable and customer deposits* – These assets and liabilities have carrying amounts that approximate fair value because of the short maturity of these instruments.

*Grants and contributions receivable* – These receivables are carried at the original amount promised less an estimate made for doubtful promises based on a review of all outstanding promises on a monthly basis. Promises to give that are expected to be received in excess of one year are measured using the present value of expected future cash flows using a discount rate 3.9%. Carrying amounts are deemed to approximate fair value due to the above factors.

*Investments* – The Institute's investments are reflected at fair value based on the methods and assumptions described in Note 3.

13. Income Taxes

The Institute is exempt from federal income taxes under Section 501(c)(3) of the IRC. However, income from certain activities not directly related to the Institute's tax-exempt purpose is subject to taxation as unrelated business income. The Institute generates unrelated business income from advertising and rental income.

Under the asset and liability method of Federal Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic *Income Taxes*, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as revenue or expense in the period that includes the enactment date.

The Institute has a deferred tax asset of \$6.706 million resulting from a federal net operating loss carryforward of approximately \$16.5 million and state net operating loss carryforwards of approximately \$15.2 million as of December 31, 2015. The Institute's deferred tax asset has been fully reserved by management as of December 31, 2015, due to uncertainty over the ability to recognize any future tax benefit based upon projections for operating and taxable losses. The net operating loss was approximately \$1.8 million for the year ended December 31, 2015. The net operating loss carryforward will expire in 2024 through 2036.

The net deferred tax asset consists of the following as of December 31, 2015 (in thousands):

Deferred tax asset	\$ 6,706
Deferred tax valuation allowance	<u>(6,706)</u>
Net Deferred Tax Asset	<u>\$ -</u>

Continued

## THE ASPEN INSTITUTE

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

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#### 13. Income Taxes (continued)

Effective January 1, 2009, the Institute adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Institute performed an evaluation of uncertain tax positions for the year ended December 31, 2015, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2015, the statute of limitations for tax years 2012 through 2014 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Institute files tax returns. It is the Institute's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2015, the Institute had no accruals for interest and/or penalties.

#### 14. Prior Year Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

#### 15. Subsequent Events

The Institute's management has evaluated events and transactions for potential recognition or disclosure through July 6, 2016, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of  
The Aspen Institute

**Report on the Financial Statements**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Aspen Institute (the Institute), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 6, 2016.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Institute's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Institute's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion

on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Institute's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Raffa, P.C.*

**Raffa, P.C.**

Washington, DC

July 6, 2016



*Certified Public Accountants*

**REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of  
The Aspen Institute

**Report on Compliance for Each Major Federal Program**

We have audited The Aspen Institute's (the Institute) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Institute's major federal programs for the year ended December 31, 2015. The Institute's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Institute's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Institute's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

## Report on Internal Control Over Compliance

Management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Institute's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Raffa, P.C.*

**Raffa, P.C.**

Washington, DC  
July 6, 2016



**THE ASPEN INSTITUTE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2015**

<b>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT</b>				
Inform Decision-Makers to Act Program	98.001	N/A	\$ -	\$ 532,088
Global Acceleration Learning Initiative (GALI)	98.001	N/A	-	45,687
Sustainable Livelihoods in Ethnic Tibetan Communities in China	98.001	AID-486-A-14-00003	-	40,000
Leadership, Management and Governance (LMG)	98.001	AID-OAA-A-11-00015	-	34,384
Total U.S. Agency for International Development and CFDA 98.001			-	652,159
<b>U.S. DEPARTMENT OF LABOR</b>				
Trade Adjustment Assistance Community College and Career Training (TAACCCT)	17.282	SGA/DFA PY 11-08	\$ -	\$ 290,607
Total U.S. Department of Labor			-	290,607
<b>U.S. DEPARTMENT OF COMMERCE</b>				
Communities that Work Leadership Academy	11.312	N/A	\$ -	\$ 232,311
Total U.S. Department of Commerce			-	232,311
<b>U.S. DEPARTMENT OF STATE</b>				
US-Maghreb Investment and Entrepreneurship Conference	19.040	S-TS800-15-GR-010	\$ -	\$ 122,006
Host Economic Drivers Roundtable	19.121	N/A	-	78,744
Total U.S. Department of State			-	200,750
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ -</b>	<b>\$ 1,375,827</b>

See accompanying notes to this schedule.

THE ASPEN INSTITUTE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2015

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1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Institute under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Institute, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Institute.

2. Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Institute does not use the 10-percent de minimis indirect cost rate under the Uniform Guidance.

3. Reconciliation of Federal Revenue and Expenses

The project grants, presented as unrestricted revenue of \$1,375,827 in the accompanying statement of activities, represent the total expenditures of federal awards.

THE ASPEN INSTITUTE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2015

A. SUMMARY OF AUDITOR'S RESULTS

**Financial Statements**

Type of auditor's report issued:  Unmodified  Qualified  
 Adverse  Disclaimer

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Type of auditor's report issued on compliance for major programs:  Unmodified  Qualified  
 Adverse  Disclaimer

Internal control over major program(s):

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)?  Yes  No

Identification of Major Programs:

<u>CFDA # / Grant #</u>	<u>Program Title</u>
98.001	USAID Foreign Assistance for Programs Overseas

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as a low-risk auditee?  Yes  No

**THE ASPEN INSTITUTE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2015**

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**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None required to be reported.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None required to be reported.