



# THE ASPEN) INSTITUTE

## **Financial Statements**

*For the Year Ended December 31, 2013*

*(With Summarized Financial Information for the Year Ended December 31, 2012)*



**and  
Report Thereon**



**Reports Required in Accordance with  
Office of Management and Budget Circular A-133**

*For the Year Ended December 31, 2013*



**THE ASPEN INSTITUTE**  
**TABLE OF CONTENTS**  
**For the Year Ended December 31, 2013**

---

	<b>Page</b>
Independent Auditor’s Report.....	1-2
Financial Statements	
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7-28
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	29-30
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133 .....	31-32
Schedule of Expenditures of Federal Awards.....	33-34
Notes to Schedule of Expenditures of Federal Awards .....	35
Schedule of Findings and Questioned Costs.....	36-37



*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, 2013, 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, 2013, 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 2012 financial statements, and our report dated July 22, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 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 supplementary schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 28, 2014 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 28, 2014

**THE ASPEN INSTITUTE**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2013**  
**(With Summarized Financial Information as of December 31, 2012)**

	2013	2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,710,188	\$ 5,243,308
Accounts receivable, net	1,922,553	1,837,250
Grants and contributions receivable, net	43,854,378	40,208,764
Investments	111,854,470	93,241,280
Investments held for deferred compensation	2,686,684	2,044,975
Prepaid expenses	709,031	467,228
Inventory	115,860	109,995
Property and equipment, net	52,883,750	54,972,179
Security deposits	101,472	108,384
	220,838,386	198,233,363
<b>TOTAL ASSETS</b>		
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	5,716,997	5,902,256
Grants payable	1,072,246	401,600
Customer deposits and deferred fees	4,722,579	3,721,804
Capital lease obligations	138,677	158,798
Deferred compensation	2,686,684	2,044,975
	14,337,183	12,229,433
<b>TOTAL LIABILITIES</b>		
<b>Net Assets</b>		
<b>Unrestricted</b>		
Board-designated	83,203,692	78,637,719
Undesignated	737,705	608,493
	83,941,397	79,246,212
<b>Total Unrestricted</b>		
Temporarily restricted	75,756,841	63,305,712
Permanently restricted	46,802,965	43,452,006
	206,501,203	186,003,930
<b>TOTAL NET ASSETS</b>		
<b>TOTAL LIABILITIES AND NET ASSETS</b>		
	\$ 220,838,386	\$ 198,233,363

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

THE ASPEN INSTITUTE

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013

(With Summarized Financial Information for the Year Ended December 31, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
<b>OPERATING REVENUE AND SUPPORT</b>					
Project grants	\$ 911,299	\$ 38,681,587	\$ -	\$ 39,592,886	\$ 30,960,605
Contributions	7,564,551	18,046,133	3,350,959	28,961,643	40,969,276
Conference and facility fees	8,835,319	-	-	8,835,319	9,093,191
Contract revenue	8,223,197	-	-	8,223,197	6,467,715
Seminar fees	7,846,885	-	-	7,846,885	7,970,350
Investment income					
appropriated for operations	2,336,747	1,496,134	-	3,832,881	3,136,276
Other	418,306	-	-	418,306	509,353
Rental income	135,945	-	-	135,945	166,260
Net assets released from restrictions:					
Satisfaction of time restrictions	16,929,256	(16,929,256)	-	-	-
Satisfaction of program restrictions	31,785,096	(31,785,096)	-	-	-
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<b>84,986,601</b>	<b>9,509,502</b>	<b>3,350,959</b>	<b>97,847,062</b>	<b>99,273,026</b>
<b>EXPENSES</b>					
Program Services:					
Policy programs	36,745,028	-	-	36,745,028	31,385,101
Campus activities	14,071,822	-	-	14,071,822	14,013,568
Public programs	7,321,122	-	-	7,321,122	5,562,929
Aspen Global Leadership Network	4,291,145	-	-	4,291,145	2,524,257
Seminars	1,905,124	-	-	1,905,124	2,105,796
Other restricted programs	844,491	-	-	844,491	699,276
<b>Total Program Services</b>	<b>65,178,732</b>	<b>-</b>	<b>-</b>	<b>65,178,732</b>	<b>56,290,927</b>
Supporting Services:					
General and administrative	14,914,441	-	-	14,914,441	14,659,062
Fundraising and development	3,073,614	-	-	3,073,614	2,598,492
<b>Total Supporting Services</b>	<b>17,988,055</b>	<b>-</b>	<b>-</b>	<b>17,988,055</b>	<b>17,257,554</b>
<b>TOTAL EXPENSES</b>	<b>83,166,787</b>	<b>-</b>	<b>-</b>	<b>83,166,787</b>	<b>73,548,481</b>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>1,819,814</b>	<b>9,509,502</b>	<b>3,350,959</b>	<b>14,680,275</b>	<b>25,724,545</b>
<b>NONOPERATING REVENUE</b>					
Investment income in excess of earnings appropriated for operations	2,875,371	2,941,627	-	5,816,998	2,551,746
<b>CHANGE IN NET ASSETS</b>	<b>4,695,185</b>	<b>12,451,129</b>	<b>3,350,959</b>	<b>20,497,273</b>	<b>28,276,291</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>79,246,212</b>	<b>63,305,712</b>	<b>43,452,006</b>	<b>186,003,930</b>	<b>157,727,639</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 83,941,397</b>	<b>\$ 75,756,841</b>	<b>\$ 46,802,965</b>	<b>\$ 206,501,203</b>	<b>\$ 186,003,930</b>

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

**THE ASPEN INSTITUTE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2013**  
**(With Summarized Financial Information for the Year Ended December 31, 2012)**

	Program Services						Supporting Services			2013 Total	2012 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	\$ 12,860,700	\$ 805,115	\$ 1,848,716	\$ 1,282,781	\$ 682,739	\$ 205,988	\$ 17,686,039	\$ 6,520,020	\$ 1,486,202	\$ 8,006,222	\$ 25,692,261	\$ 22,920,566
Contracted services	4,175,047	12,880,234	1,177,431	630,124	391,835	201,394	19,456,065	1,684,339	207,697	1,892,036	21,348,101	21,600,459
Travel	6,187,634	45,680	2,509,260	1,290,016	436,903	133,336	10,602,829	634,575	361,977	996,552	11,599,381	9,271,736
Fringe benefits	3,723,909	216,618	521,403	394,214	209,432	62,125	5,127,701	1,000,983	424,171	1,425,154	6,552,855	6,441,529
Awards and scholarships	4,687,292	-	5,000	215,000	-	-	4,907,292	-	-	-	4,907,292	465,003
Depreciation and amortization	-	-	-	-	-	-	-	2,937,889	-	2,937,889	2,937,889	3,526,871
Supplies	451,250	-	428,442	121,679	86,641	49,397	1,137,409	986,420	209,624	1,196,044	2,333,453	1,965,213
Occupancy and utilities	1,424,734	91,376	130,365	90,533	17,746	6,271	1,761,025	420,947	82,102	503,049	2,264,074	2,130,294
Grants	1,556,418	-	-	-	-	-	1,556,418	-	-	-	1,556,418	2,282,984
Publications	546,928	3,626	484,376	134,739	66,346	43,332	1,279,347	162,673	70,273	232,946	1,512,293	1,300,041
Partner reimbursements	806,688	-	126,756	28,312	-	133,000	1,094,756	-	-	-	1,094,756	162,658
Communications	322,563	29,173	89,373	103,747	13,482	7,148	565,486	309,112	29,016	338,128	903,614	814,896
Insurance	35	-	-	-	-	-	35	251,978	-	251,978	252,013	266,560
Bad debts	1,830	-	-	-	-	2,500	4,330	-	202,552	202,552	206,882	377,639
Interest and fees	-	-	-	-	-	-	-	5,505	-	5,505	5,505	22,032
<b>TOTAL EXPENSES</b>	<b>\$ 36,745,028</b>	<b>\$ 14,071,822</b>	<b>\$ 7,321,122</b>	<b>\$ 4,291,145</b>	<b>\$ 1,905,124</b>	<b>\$ 844,491</b>	<b>\$ 65,178,732</b>	<b>\$ 14,914,441</b>	<b>\$ 3,073,614</b>	<b>\$ 17,988,055</b>	<b>\$ 83,166,787</b>	<b>\$ 73,548,481</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, 2013

(With Summarized Financial Information for the Year Ended December 31, 2012)

Increase (Decrease) in Cash and Cash Equivalents

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 20,497,273	\$ 28,276,291
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,937,889	3,526,871
Unrealized gains on investments	(9,380,906)	(5,550,610)
Realized gains on investments	(90,755)	(48,310)
Loss on disposal of property and equipment	1,509	74,542
Contributions restricted for long-term purposes	(4,457,353)	(6,128,802)
Change in the present value discount for grants and contributions	(82,133)	(1,587,761)
Change in allowance for doubtful accounts	(52,552)	(125,894)
Changes in assets and liabilities:		
Accounts receivable	(85,303)	(343,475)
Grants and contributions receivable	(3,510,929)	(15,356,755)
Prepaid expenses	(241,803)	9,050
Inventory	(5,865)	463
Security deposits	6,912	97,609
Accounts payable and accrued expenses	(185,259)	1,256,357
Grants payable	670,646	(1,193,539)
Customer deposits and deferred fees	1,000,775	253,160
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>7,022,146</u>	<u>3,159,197</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(850,969)	(769,941)
Purchases of investments	(21,783,254)	(13,130,610)
Proceeds from sales of investments	12,641,725	5,948,666
NET CASH USED IN INVESTING ACTIVITIES	<u>(9,992,498)</u>	<u>(7,951,885)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligations	(20,121)	(137,115)
Contributions restricted for long-term purposes	4,457,353	6,128,802
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>4,437,232</u>	<u>5,991,687</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,466,880	1,198,999
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,243,308</u>	<u>4,044,309</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,710,188</u>	<u>\$ 5,243,308</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 5,505</u>	<u>\$ 22,033</u>
NONCASH FINANCING ACTIVITIES		
Equipment acquired under a capital lease	\$ 44,278	\$ 58,331
Obligation of equipment acquired under a capital lease	(44,278)	(58,331)
Equipment disposed through termination of a capital lease	34,235	28,672
Cancellation of debt under termination of a capital lease	(34,235)	(28,672)
Net Capital Lease Activities	<u>\$ -</u>	<u>\$ -</u>

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



# THE ASPEN INSTITUTE

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2013

---

### 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 and seminar 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 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 agencies, corporate and foreign bonds, mutual funds, limited partnerships and hedge funds. 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 ASPEN INSTITUTE

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2013

---

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

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

The estimated fair value of investments in limited partnerships and hedge funds, 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 private placements and other securities for which prices are not readily available, are determined by the general partners of the respective investment partnerships, and may not reflect amounts that could be realized upon immediate sale nor amounts that may be ultimately realized. The Institute follows the fair value measurement provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, to its partnership and hedge fund investments. This guidance permits, as a practical expedient, the fair value of investments within its scope to be estimated using net asset value 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.

THE ASPEN INSTITUTE

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013

---

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

**Fair Value of Financial Instruments (continued)**

As of and for the year ended December 31, 2013, 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 collectability. 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.

**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

Continued

# THE ASPEN INSTITUTE

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2013

---

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

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

In accordance with the provisions of FASB Accounting Standards Codification (ASC) Topic 360, *Property, Plant and Equipment*, 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, 2013, 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.

#### **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 and seminar fees are recorded in the period in which the applicable event takes place or service is provided.

THE ASPEN INSTITUTE

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013

---

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

**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.

2. Grants and Contributions Receivable

Grants and contributions receivable include unconditional promises to give from foundations, corporations and individual donors, which are due as follows as of December 31, 2013:

Less than one year	\$ 19,400,200
One to five years	26,468,458
Beyond five years	<u>1,588,000</u>
Total Grants and Contributions Receivable	47,456,658
Less: Discount to Net Present Value (2% to 5%)	(2,604,572)
Less: Allowance for Doubtful Accounts	<u>(997,708)</u>
Grants and Contributions Receivable, Net	<u>\$ 43,854,378</u>

Continued

THE ASPEN INSTITUTE

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013

---

3. Investments

The Institute's investments, at fair value, consist of the following as of December 31, 2013:

Limited partnerships	\$ 62,425,129
Mutual fund	22,579,259
Hedge funds	22,273,502
Corporate and foreign bonds	2,666,049
U.S. government agencies	1,366,951
Money market funds	<u>543,580</u>
Total Investments	<u>\$111,854,470</u>

As of December 31, 2013, approximately 76% of the Institute's investments were invested in limited partnerships and hedge funds, 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. As of December 31, 2013, the hedge funds include \$7,500,000 of cash that had been transferred to one of the hedge funds on December 26, 2013 but had not been invested as of December 31, 2013. The limited partnerships include \$7,500,000 of cash that had been withdrawn from a partnership fund but still held pending the trade on January 1, 2014.

Investment returns consisted of the following for the year ended December 31, 2013:

Unrealized gains	\$ 9,380,906
Interest and dividends	219,349
Realized gains	90,755
Management fees	<u>(41,131)</u>
Net Investment Gain	9,649,879
Less: Earnings Appropriated for Expenditure	<u>(3,832,881)</u>
Investment Income in Excess of Earnings Appropriated for Operations	<u>\$ 5,816,998</u>

**THE ASPEN INSTITUTE**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2013**

3. Investments (continued)

The following table summarizes the Institute's investments measured at fair value on a recurring basis as of December 31, 2013:

	<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:				
Limited partnerships <sup>(a)</sup>	\$ 62,425,129	\$ -	\$ -	\$ 62,425,129
Hedge funds <sup>(a)</sup>	22,273,502	-	-	22,273,502
Global balanced asset allocation mutual fund	22,579,259	22,579,259	-	-
Money market funds	543,580	543,580	-	-
Fixed income:				
Corporate bonds	2,566,599	-	2,566,599	-
U.S. Treasury obligations	723,097	-	723,097	-
U.S. government agencies	643,854	-	643,854	-
Foreign bonds	<u>99,450</u>	<u>-</u>	<u>99,450</u>	<u>-</u>
Subtotal of investments	<u>111,854,470</u>	<u>23,122,839</u>	<u>4,033,000</u>	<u>84,698,631</u>
Investments held for deferred compensation:				
Mutual funds	2,027,955	-	2,027,955	-
Variable annuities	242,313	-	242,313	-
Investment contract with insurance company	<u>416,416</u>	<u>-</u>	<u>-</u>	<u>416,416</u>
Total investments held for deferred compensation	<u>2,686,684</u>	<u>-</u>	<u>2,270,268</u>	<u>416,416</u>
Total	<u>\$114,541,154</u>	<u>\$ 23,122,839</u>	<u>\$ 6,303,268</u>	<u>\$ 85,115,047</u>

(a) Based on its analysis of the nature and risk of these classes of investments, management of the Institute has determined that presenting each as a single class is appropriate.

**THE ASPEN INSTITUTE**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013**

---

3. Investments (continued)

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

*Limited partnerships and hedge funds* – These consist of investments in partnerships and hedge funds 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 and hedge funds are subject to certain restrictions and generally have no established trading market. Fair value is determined based on the partnership or fund's net asset value (NAV) as provided by the partnership's fund management or the general partner of the respective fund.

*Mutual funds, money market funds, U. S. Government agencies and bonds* – 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 and a publicly traded mutual fund that invests in domestic and international equities. 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. government agencies, and corporate and foreign bonds. Investments held for deferred compensation include mutual funds. 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, and an investment contract with an insurance company, which is classified within Level 3.

The following represents the Institute's activity for the Level 3 investments for the year ended December 31, 2013.

	<u>Limited Partnerships</u>	<u>Hedge Funds</u>	<u>Investment Contracts</u>	<u>Total</u>
Balance at				
December 31, 2012	\$ 56,368,684	\$ 13,701,629	\$ 352,060	\$ 70,422,373
Purchases	25,269	7,506,284	52,190	7,583,743
Sales	(330,830)	-	-	(330,830)
Net realized and unrealized gains	<u>6,362,006</u>	<u>1,065,589</u>	<u>12,166</u>	<u>7,439,761</u>
Balance at				
December 31, 2013	<u>\$ 62,425,129</u>	<u>\$ 22,273,502</u>	<u>\$ 416,416</u>	<u>\$ 85,115,047</u>

Continued



**THE ASPEN INSTITUTE**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2013**

3. Investments (continued)

	<u>Limited Partnerships</u>	<u>Hedge Funds</u>	<u>Investment Contracts</u>	<u>Total</u>
The amount of gains and losses for the year ended December 31, 2013, included in the change in net assets attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2013	<u>\$ 6,581,464</u>	<u>\$ 1,065,589</u>	<u>\$ 12,166</u>	<u>\$ 7,659,219</u>

The Institute invests in certain entities that calculate net asset value per share in accordance with guidance relative to investment companies, and these investments are reported at fair value based on the net asset value per share, as reported by the investee. As of December 31, 2013, a summary of the significant categories of such investments and their attributes is as follows:

	<u>Fair Value</u>	<u>Number of Funds</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Eligible)</u>	<u>Redemption Notice Period</u>
Limited Partnerships (a):					
Limited Partnership	\$ 54,017,126	1	\$ -	Quarterly	61 days notice prior to withdrawal date
Limited Partnership	7,075,083	1	-	Twice a year	60 days notice prior to withdrawal date; 5.15% of balance is illiquid
Limited Partnerships	<u>1,332,920</u>	2	<u>75,281</u>	Not Eligible	
Total Limited Partnerships	<u>\$ 62,425,129</u>		<u>\$ 75,281</u>		

**THE ASPEN INSTITUTE**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013**

3. Investments (continued)

	Fair Value	Number of Funds	Unfunded Commitments	Redemption Frequency (if Eligible)	Redemption Notice Period
Hedge Funds (b):					
Hedge Funds	\$ 4,187,857	1	\$ -	Monthly	16 days prior to withdrawal date
 Hedge Fund	<u>18,085,645</u>	1	<u>-</u>	25% available quarterly after 1 year initial lock up	65 days prior to withdrawal date
 Total Hedge Funds	<u>22,273,502</u>		<u>-</u>		
Total	<u>\$ 84,698,631</u>		<u>\$ 75,281</u>		

- (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 two limited partnerships eligible for redemption trade and invest in traditional assets (such as marketable equity securities, debt instruments and other securities); alternative assets (such as real estate, commodities, timber, absolute return/hedge funds, private equity and venture capital investments); and convertible securities, options, warrants, futures, swaps, other derivatives and nonpublic securities. The two limited partnerships that are not currently eligible for redemption, invest 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.
- (b) Hedge funds - This category includes hedge funds, both direct and fund-of-funds in nature, that invest in managed futures, including future contracts, forward contracts and options. Multiple strategies are utilized over two different hedge funds, with one of the funds eligible for redemption monthly and one of the funds not currently eligible for redemption. The largest strategy weighting is in long-term capital appreciation over a several year period with lower volatility than and low correlation to, broad equity and fixed income indices.

## THE ASPEN INSTITUTE

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2013

---

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

The Institute held the following property and equipment as of December 31, 2013:

Buildings and improvements	\$ 66,908,001
Land	10,627,664
Furniture and fixtures	5,171,132
Equipment	4,234,067
Computers and software	1,248,944
Ground improvements	2,004,637
Property held under capital lease	769,122
Artwork	624,265
Leasehold improvements	264,924
Construction in progress	<u>222,714</u>
Total Property and Equipment	92,075,470
Less: Accumulated Depreciation and Amortization	<u>(39,191,720)</u>
Net Property and Equipment	<u>\$ 52,883,750</u>

Depreciation and amortization expense was \$2,937,889 for the year ended December 31, 2013.

#### 5. Grants Payable

As of December 31, 2013, grants payable of \$1,072,246 represents unconditional promises to give, which are 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 \$5,000,000. 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, 2013, the interest rate was 2.42%. 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, 2013.

##### **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 \$7,027,239 as of December 31, 2013. The Institute has not experienced, nor does it anticipate, any loss of funds.

Continued

THE ASPEN INSTITUTE

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013

6. Commitments and Risks (continued)

**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 August 31, 2014 and 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. The Institute currently subleases a portion of its office space to other tenants under noncancelable lease agreements.

As of December 31, 2013, future minimum lease payments, net of noncancelable sublease payments, are as follows:

<u>For the Year Ending December 31,</u>	<u>Lease Commitment</u>	<u>Sublease Income</u>	<u>Net Minimum Commitment</u>
2014	1,918,388	(2,700)	1,915,688
2015	1,916,438	-	1,916,438
2016	1,967,268	-	1,967,268
2017	2,017,672	-	2,017,672
2018	2,058,045	-	2,058,045
Thereafter	<u>1,774,942</u>	<u>-</u>	<u>1,774,942</u>
Total	<u>\$ 11,652,753</u>	<u>\$ (2,700)</u>	<u>\$ 11,650,053</u>

Rent expense incurred under the operating leases was approximately \$2,116,000 for the year ended December 31, 2013.

THE ASPEN INSTITUTE

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013

---

7. Leases (continued)

**Capital Leases**

The Institute leases various transportation and office equipment under capital leases that expire at various times through 2015. Future minimum lease payments required under the Institute's capital leases are as follows:

<u>For the Year Ending December 31,</u>	
2014	\$ 66,036
2015	50,996
2016	19,009
2017	<u>6,991</u>
Total Future Minimum Lease Payments	143,032
Less: Amount Representing Interest	<u>(4,355)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 138,677</u>

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 \$5,505 for the year ended December 31, 2013.

8. Net Assets

**Board-Designated Net Assets**

Board-designated net assets consist of the following at December 31, 2013:

Plant fund	\$ 52,539,185
Quasi-endowment	19,710,252
Aspen Global Leadership Network	3,958,418
Operating fund – reserves and special projects	3,343,518
Policy programs funds	3,212,463
Other programs	<u>439,856</u>
Total	<u>\$ 83,203,692</u>

## THE ASPEN INSTITUTE

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2013

---

#### 8. Net Assets (continued)

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

Temporarily restricted net assets consist of the following at December 31, 2013:

Purpose:	
Policy programs	\$ 19,678,773
Aspen Global Leadership Network	3,901,597
Endowment earnings	8,838,745
Other restricted programs	2,294,697
Public programs	<u>877,643</u>
Total Purpose Restricted	35,591,455
Time:	
Time restricted	<u>40,165,386</u>
Total	<u>\$ 75,756,841</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 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 ASPEN INSTITUTE

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013

---

8. Net Assets (continued)

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

*Interpretation of Relevant Law (continued)*

- 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.

*Strategies Employed for Achieving Objectives*

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.

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.

**THE ASPEN INSTITUTE**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013**

---

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, 2013 was 2.59%.

**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, 2013, there were no such deficiencies.

The Institute's endowment net asset composition by fund type was as follows as of December 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 8,838,745	\$ 46,802,965	\$ 55,641,710
Board-designated endowment funds	<u>19,710,252</u>	<u>-</u>	<u>-</u>	<u>19,710,252</u>
Total Net Assets	<u>\$ 19,710,252</u>	<u>\$ 8,838,745</u>	<u>\$ 46,802,965</u>	<u>\$ 75,351,962</u>



**THE ASPEN INSTITUTE**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013**

8. Net Assets (continued)

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

The endowment activity was as follows for the year ended December 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 10,268,526	\$ 5,983,279	\$ 43,452,006	\$ 59,703,811
Investment return:				
Investment income	991	3,945	-	4,936
Net investment gains (realized and unrealized)	1,097,484	4,368,522	-	5,466,006
Total investment return	1,098,475	4,372,467	-	5,470,942
Contributions/Additions	8,777,583	-	3,350,959	12,128,542
Appropriation of endowment assets for expenditure	(434,332)	(1,517,001)	-	(1,951,333)
Endowment net assets, end of year	<u>\$ 19,710,252</u>	<u>\$ 8,838,745</u>	<u>\$ 46,802,965</u>	<u>\$ 75,351,962</u>

The Institute's donor-restricted endowment net assets were as follows as of December 31, 2013:

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

\$ 46,802,965

Temporarily restricted net assets:

The portion of perpetual endowment funds subject to a time restriction under UPMIFA:

Without purpose restrictions

\$ -

With purpose restrictions

8,838,745

Total endowment funds classified as temporarily restricted net assets

\$ 8,838,745

Continued

THE ASPEN INSTITUTE

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013

---

8. Net Assets (continued)

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

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 consist of the following as of December 31, 2013:

Henry Crown Endowment	\$ 24,512,752
Harman/Eisner Artist in Residence	4,010,250
Socrates Society Endowment	3,390,447
Endowed Scholarships and Fellowships	2,903,846
AGLN Endowed Programming	2,375,000
Hurst Student Seminars	2,000,000
Lauder Seminar Endowment	1,000,000
Harman Family Endowment	1,000,000
McCloskey Speaker Series	1,000,000
Melva Bucksbaum Endowment	1,000,000
Socrates Program Endowment	795,550
Berwick Chair	791,171
Steel Endowment	666,666
Calaway Education Fund	518,575
Leadership Fund	292,038
Hearst Foundation NPSRF Endowment	200,000
Robert McKay Endowment	193,697
Musser Japanese Garden	152,373
Planned Giving Endowment	600
Total	<u>\$ 46,802,965</u>

9. Employee Benefit Arrangements

**Defined Contribution Plans**

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

The first plan was adopted as a 403(b) defined contribution plan effective January 1964. The plan covers employees hired before February 1, 2002. The employees are eligible to participate in the plan if they have been credited with 1,000 or more hours of service during any consecutive twelve-month period and have attained the age of 21. Under the plan, the Institute contributes 15% of annual base salary, but is limited to the maximum contribution allowable by the Internal Revenue Code (IRC).

The second 403(b) plan is for employees hired on or after February 1, 2002. The Institute contributes to the plan according to a graduated percentage based on the years of service of each employee, which is 5% after one year of service, 7% after three years of service and

THE ASPEN INSTITUTE

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013

---

9. Employee Benefit Arrangements (continued)

**Defined Contribution Plans (continued)**

10% after five or more years of service. In addition, the Institute also maintains a voluntary matching plan, effective January 1, 2003, which matches employee contributions to the plan up to a maximum of 5% for any given plan year. Voluntary employee contributions are made on a monthly basis, subject to legal limits. The Institute made a contribution under both plans of \$2,383,966 for the year ended December 31, 2013.

**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 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 are \$2,686,684 as of December 31, 2013.

**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 \$75,000 and an aggregate stop-loss of \$1,942,317. 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 \$2,645,705 for the year ended December 31, 2013. 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 \$720,658 as of December 31, 2013.

**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.

10. Contingencies

**Office of Management and Budget Circular A-133**

The Institute has instructed its independent auditors to audit its applicable federal programs for the year ended December 31, 2013, in compliance with Circular A-133, 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 agencies of the independent auditor's reports for calendar year 2013 will not have a material effect on the Institute's financial position as of December 31, 2013, or its results of operations for the year then ended.

THE ASPEN INSTITUTE

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013

---

10. Contingencies (continued)

**Provisional Indirect Cost Rates**

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 Circular A-122 issued by the OMB. USAID has yet to audit the costs and indirect cost rates for the years ended December 31, 2010 through 2013. Management believes that cost disallowances, if any, arising from USAID's audit for these years will not have a material effect on the Institute's financial position as of December 31, 2013, 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 initial term of the agreement expired on December 31, 2012, but was renewed for an additional two years, expiring on December 31, 2014.

The Institute has a management contract with Dolce to manage the conference facilities in Aspen, Colorado. Dolce 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. Dolce'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, 2013

---

#### 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 from 2% to 5%. 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 Internal Revenue Code. 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 the 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 \$5,666,747 resulting from a federal net operating loss carryforward of approximately \$13,907,000 and state net operating loss carryforwards of approximately \$12,563,000 as of December 31, 2013. The Institute's deferred tax asset has been fully reserved by management as of December 31, 2013, 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 \$1,816,000 for the year ended December 31, 2013. The net operating loss carryforward will expire in 2022 through 2033.

THE ASPEN INSTITUTE

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013

---

13. Income Taxes (continued)

The net deferred tax asset consists of the following as of December 31, 2013:

Deferred tax asset	\$ 5,666,747
Deferred tax valuation allowance	<u>(5,666,747)</u>
Net Deferred Tax Asset	<u>\$ -</u>

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, 2013, 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, 2013, the statute of limitations for tax years 2010 through 2012 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, 2013, 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

15. Subsequent Events

On March 31, 2014, the Institute entered into a new lease agreement for more space in their New Hampshire Avenue office in Washington, DC. The effective date of this lease is February 28, 2014 and the expiration date is April 30, 2019.

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through July 28, 2014, the date the financial statements were available to be issued. Except for the lease disclosed above, there were no events that require recognition, or disclosure, in these financial statements.



Certified Public Accountants

**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

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, 2013, 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 28, 2014.

***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.

Continued

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Raffa, P.C.*

**Raffa, P.C.**

Washington, DC  
July 28, 2014





*Certified Public Accountants*

**REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of the  
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 Circular A-133 Compliance Supplement* that could have a direct and material effect on the Institute's major federal program for the year ended December 31, 2013. The Institute's major federal program is 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 program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 its major federal program for the year ended December 31, 2013.

## 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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Raffa, P.C.*

**Raffa, P.C.**

Washington, DC  
July 28, 2014

**THE ASPEN INSTITUTE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2013**

<b>Federal Grantor/Pass-Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Agency or Pass-Through Grant Number</b>	<b>Federal Expenditures</b>
<b>U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT</b>			
Inform Decision-Makers to Act Program	98.001	AID-OAA-A-10-00062	\$ <u>454,801</u>
Total U.S. Agency for International Development			<u>454,801</u>
<b>U.S. DEPARTMENT OF LABOR</b>			
<i>Pass-through from the Northern Virginia Community College:</i>			
Trade Adjustment Assistance Community College and Career Training	17.282	SGA/DFA PY 11-08	<u>323,412</u>
Total U.S. Department of Labor			<u>323,412</u>
<b>U.S. SMALL BUSINESS ADMINISTRATION</b>			
Program for Investment in Microentrepreneurs Act	59.050	SBAHQ-09-Y-0057	46,457
Best Practices in Scaling Microenterprise Training	59.050	SBAHQ-09-Y-0130	<u>35,783</u>
Total U.S. Small Business Administration			<u>82,240</u>
<b>U.S. DEPARTMENT OF STATE</b>			
Mahreb Higher Education Delegation	19.232	S-LMAQM-13-CA-1107	25,128
<i>Pass-through from the Institute for International Education:</i>			
U.S. Study Tour for Delegates from North Africa	19.700	S-LMAQM-12-GR-007	<u>20,891</u>
Total U.S. Department of State			<u>46,019</u>

See accompanying notes to this schedule.

THE ASPEN INSTITUTE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2013

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Grant Number</u>	<u>Federal Expenditures</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<i>Pass-through from the Center for the Study of Social Policy:</i>			
Building Neighborhood Capacity Program	16.595	2011-MU-BX- K147	<u>4,827</u>
Total U.S. Department of Justice			<u>4,827</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 911,299</u>

THE ASPEN INSTITUTE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2013

---

1. Summary of Significant Accounting Policies

**Basis of Accounting**

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. Consequently, amounts are recorded as expenditures when the obligations are incurred.

2. Reconciliation of Federal Revenue and Expenses

The project grants presented as unrestricted revenue of \$911,299 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, 2013

A. SUMMARY OF AUDITOR'S RESULTS

**Financial Statements**

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?   Yes  X  No

**Federal Awards**

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

Internal control over major program(s):

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?   Yes  X  No

Identification of Major Programs:

<u>CFDA # / Grant #</u>	<u>Program Title</u>
17.282	Trade Adjustment Assistance Community College and Career Training Grants

Dollar threshold used to distinguish between Type A and Type B programs:  \$ 300,000

Auditee qualified as a low-risk auditee?  X  Yes   No

**THE ASPEN INSTITUTE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2013**

---

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None that are required to be reported.

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

None that are required to be reported.