

**AMERICAN HOTEL AND
LODGING EDUCATIONAL FOUNDATION, INC.
AND
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE**

**CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2014 AND 2013

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
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YEARS ENDED DECEMBER 31, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
American Hotel and Lodging Educational Foundation, Inc.
American Hotel & Lodging Educational Institute
Washington, DC

We have audited the accompanying consolidated financial statements of the American Hotel and Lodging Educational Foundation, Inc. and the American Hotel & Lodging Educational Institute, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the American Hotel and Lodging Educational Foundation, Inc. and the American Hotel & Lodging Educational Institute as of December 31, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Arlington, Virginia
April 6, 2015



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AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

| | 2014 | 2013 |
|---|-------------------|-------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 5,175,156 | \$ 4,860,647 |
| Accounts Receivable | 790,685 | 978,723 |
| Less: Allowance for Doubtful Accounts | (68,000) | (90,000) |
| Net Accounts Receivable | 722,685 | 888,723 |
| Promises to Give | - | 25,000 |
| Inventory | 362,335 | 352,628 |
| Prepaid Expenses and Deposits | 236,417 | 198,037 |
| Other Assets | 38,950 | 38,950 |
| Total Current Assets | 6,535,543 | 6,363,985 |
| INVESTMENTS | 21,737,876 | 20,840,535 |
| DEVELOPMENT COSTS | | |
| Finished Goods, Net of Amortization | 668,491 | 741,333 |
| Work-in-Progress | 384,648 | 256,481 |
| Total Development Costs | 1,053,139 | 997,814 |
| PROPERTY AND EQUIPMENT | | |
| Land | 106,483 | 106,483 |
| Building | 883,286 | 883,286 |
| Leasehold Improvements | 877,137 | 877,137 |
| Furniture, Fixtures, and Equipment | 623,084 | 596,935 |
| Computer Equipment and Software | 967,732 | 946,143 |
| Capital Lease Assets | 992,291 | 915,551 |
| Total Property and Equipment | 4,450,013 | 4,325,535 |
| Less: Accumulated Depreciation and Amortization | (3,377,972) | (3,589,914) |
| Net Property and Equipment | 1,072,041 | 735,621 |
| Total Assets | \$ 30,398,599 | \$ 28,937,955 |

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2014 AND 2013**

| | 2014 | 2013 |
|---|---------------|---------------|
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts Payable and Accrued Expenses | \$ 1,107,643 | \$ 978,797 |
| Due to Affiliated Entities: | | |
| American Hotel & Lodging Association | 61,568 | 84,453 |
| Deferred Revenue | 256,945 | 422,439 |
| Liability for Returns | 200,000 | 95,000 |
| Capital Leases | 201,817 | 105,782 |
| Total Current Liabilities | 1,827,973 | 1,686,471 |
| CAPITAL LEASES, NET OF CURRENT PORTION | 446,338 | 114,605 |
| DEFERRED RENT CREDIT | 253,436 | 358,432 |
| Total Liabilities | 2,527,747 | 2,159,508 |
| NET ASSETS | | |
| Unrestricted | 19,720,521 | 18,956,257 |
| Temporarily Restricted | 3,471,040 | 3,142,899 |
| Permanently Restricted | 4,679,291 | 4,679,291 |
| Total Net Assets | 27,870,852 | 26,778,447 |
| Total Liabilities and Net Assets | \$ 30,398,599 | \$ 28,937,955 |

See accompanying Notes to Consolidated Financial Statements.

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2014 AND 2013

| | 2014 | | | 2013 | | | | |
|---|----------------------|---------------------------|---------------------------|----------------------|----------------------|---------------------------|---------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| REVENUE | | | | | | | | |
| Product Activities: | | | | | | | | |
| Sales of Educational Materials | \$ 6,122,251 | \$ - | \$ - | \$ 6,122,251 | \$ 7,317,490 | \$ - | \$ - | \$ 7,317,490 |
| Less Returns and Allowances | (293,753) | - | - | (293,753) | (1,707) | - | - | (1,707) |
| Net Sales of Educational Materials | 5,828,498 | - | - | 5,828,498 | 7,315,783 | - | - | 7,315,783 |
| Shipping and Handling | 309,541 | - | - | 309,541 | 367,814 | - | - | 367,814 |
| Total Product Activities | 6,138,039 | - | - | 6,138,039 | 7,683,597 | - | - | 7,683,597 |
| Service Activities: | | | | | | | | |
| Licenses | 469,490 | - | - | 469,490 | 569,927 | - | - | 569,927 |
| Seminars | 1,068,957 | 13,750 | - | 1,082,707 | 955,697 | 15,250 | - | 970,947 |
| Registrations and Fees | 1,587,340 | - | - | 1,587,340 | 1,460,598 | - | - | 1,460,598 |
| Total Service Activities | 3,125,787 | 13,750 | - | 3,139,537 | 2,986,222 | 15,250 | - | 3,001,472 |
| Fundraising and Support: | | | | | | | | |
| Special Events | 483,318 | 88,660 | - | 571,978 | 423,611 | 128,220 | - | 551,831 |
| Contributions - Other | 296,682 | 134,850 | - | 431,532 | 266,394 | 137,450 | 200,447 | 604,291 |
| Contribution/Sponsorships from ALIS | 1,557,834 | - | - | 1,557,834 | 1,319,097 | - | - | 1,319,097 |
| Total Fundraising and Support | 2,337,834 | 223,510 | - | 2,561,344 | 2,009,102 | 265,670 | 200,447 | 2,475,219 |
| Investment Income: | | | | | | | | |
| Interest and Dividends - Investments | 233,552 | 171,078 | - | 404,630 | 316,204 | 183,155 | - | 499,359 |
| Interest - Operating Account | 24,651 | - | - | 24,651 | 21,595 | - | - | 21,595 |
| Total Investment Income | 258,203 | 171,078 | - | 429,281 | 337,799 | 183,155 | - | 520,954 |
| Other: | | | | | | | | |
| Amortization of AH&LEI Grant Discount | 9 | - | - | 9 | - | - | - | - |
| Newsletter Advertising Fees | 11,020 | - | - | 11,020 | - | - | - | - |
| Sublease | 68,904 | - | - | 68,904 | 79,689 | - | - | 79,689 |
| Total Other Income | 79,933 | - | - | 79,933 | 79,689 | - | - | 79,689 |
| Reclass of Donor-Restricted | | | | | | | | |
| Endowment Funds with Deficiencies | - | - | - | - | 859 | (859) | - | - |
| Net Assets Released From Restrictions: | | | | | | | | |
| Grants and Scholarships | 434,563 | (434,563) | - | - | 420,756 | (420,756) | - | - |
| Release of Time Restrictions | 13,750 | (13,750) | - | - | 15,250 | (15,250) | - | - |
| | 448,313 | (448,313) | - | - | 436,006 | (436,006) | - | - |
| Total Revenue | 12,388,109 | (39,975) | - | 12,348,134 | 13,533,274 | 27,210 | 200,447 | 13,760,931 |
| EXPENSES | | | | | | | | |
| Program Services: | | | | | | | | |
| Grants and Scholarships | 718,439 | - | - | 718,439 | 781,471 | - | - | 781,471 |
| Product Activities | 6,026,689 | - | - | 6,026,689 | 6,519,380 | - | - | 6,519,380 |
| Service Activities | 3,068,620 | - | - | 3,068,620 | 2,542,945 | - | - | 2,542,945 |
| Total Program Services | 9,813,748 | - | - | 9,813,748 | 9,843,796 | - | - | 9,843,796 |
| Supporting Services: | | | | | | | | |
| Management and General | 1,716,055 | - | - | 1,716,055 | 1,778,309 | - | - | 1,778,309 |
| Fundraising | 600,484 | - | - | 600,484 | 384,417 | - | - | 384,417 |
| Total Supporting Services | 2,316,539 | - | - | 2,316,539 | 2,162,726 | - | - | 2,162,726 |
| Total Expenses | 12,130,287 | - | - | 12,130,287 | 12,006,522 | - | - | 12,006,522 |
| CHANGE IN NET ASSETS FROM OPERATIONS | 257,822 | (39,975) | - | 217,847 | 1,526,752 | 27,210 | 200,447 | 1,754,409 |
| Other Items: | | | | | | | | |
| Realized Gain on Investments | 436,732 | 309,566 | - | 746,298 | 466,048 | 326,329 | - | 792,377 |
| Unrealized Gain on Investments | 69,710 | 58,550 | - | 128,260 | 835,211 | 575,555 | - | 1,410,766 |
| CHANGE IN NET ASSETS | 764,264 | 328,141 | - | 1,092,405 | 2,828,011 | 929,094 | 200,447 | 3,957,552 |
| Beginning Net Assets | 18,956,257 | 3,142,899 | 4,679,291 | 26,778,447 | 16,128,246 | 2,213,805 | 4,478,844 | 22,820,895 |
| ENDING NET ASSETS | <u>\$ 19,720,521</u> | <u>\$ 3,471,040</u> | <u>\$ 4,679,291</u> | <u>\$ 27,870,852</u> | <u>\$ 18,956,257</u> | <u>\$ 3,142,899</u> | <u>\$ 4,679,291</u> | <u>\$ 26,778,447</u> |

See accompanying Notes to Consolidated Financial Statements.

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 1,092,405 | \$ 3,957,552 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | 355,918 | 340,013 |
| Unrealized Gain on Investments | (128,260) | (1,410,766) |
| Donated Stock | (10,186) | - |
| Realized Gain on Sales of Investments | (746,298) | (792,377) |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable, Net | 166,038 | (12,218) |
| Due from Affiliated Entities, Net | 4,582 | (24,805) |
| Inventory | (9,707) | 49,172 |
| Prepaid Expenses and Deposits | (38,380) | 11,762 |
| Promises to Give, Net | 25,000 | 24,800 |
| Grants Receivable | - | 14,171 |
| Development Costs | (55,325) | (3,560) |
| Accounts Payable and Accrued Expenses | 128,846 | (13,131) |
| Due to Affiliated Entities, Net | (27,467) | (22,402) |
| Deferred Revenue | (165,494) | (40,583) |
| Deferred Rent Credit | (104,996) | (91,011) |
| Liability for Returns | 105,000 | (179,327) |
| Grants Payable | - | (14,171) |
| Net Cash Provided by Operating Activities | <u>591,676</u> | <u>1,793,119</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of Investments | (5,957,666) | (6,071,293) |
| Proceeds from Sales and Maturities of Investments | 5,945,069 | 5,825,905 |
| Purchases of Property and Equipment | <u>(47,739)</u> | <u>(38,635)</u> |
| Net Cash Used in Investing Activities | <u>(60,336)</u> | <u>(284,023)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on Capital Lease Obligations | <u>(216,831)</u> | <u>(190,225)</u> |
| Net Cash Used in Financing Activities | <u>(216,831)</u> | <u>(190,225)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 314,509 | 1,318,871 |
| Cash and Cash Equivalents - Beginning of Period | <u>4,860,647</u> | <u>3,541,776</u> |
| CASH AND CASH EQUIVALENTS - END OF PERIOD | <u>\$ 5,175,156</u> | <u>\$ 4,860,647</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash Paid During the Year for Interest | <u>\$ 37,884</u> | <u>\$ 18,102</u> |
| Assets Acquired Through Capital Leases, Net of Disposals | <u>\$ 644,599</u> | <u>\$ -</u> |

See accompanying Notes to Consolidated Financial Statements.

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 ORGANIZATIONS

The American Hotel and Lodging Educational Foundation, Inc. (the "Foundation"), formerly named the American Hotel and Lodging Foundation, was incorporated in the State of New York in 1953. Its purposes include giving financial aid to organizations established and operated exclusively for charitable, scientific, or educational purposes; to create, grant and maintain scholarships for the study of hotel administration, operations and the hotel business generally by deserving individuals; and to make grants-in-aid to schools, colleges and other institutions to be used for educational purposes and to provide knowledge and scientific training concerning the hotel industry generally.

The American Hotel & Lodging Educational Institute (the "Institute"), formerly named the Educational Institute of the American Hotel & Motel Association, was incorporated in the State of Michigan in 1953. Its purpose includes the development of instructional material in hotel and motel management that is distributed directly to individuals, academic and industry markets.

In April 2002, the Boards of Trustees for the Foundation and Institute were reorganized such that members of each Organization's Board are now the same. By virtue of the commonality of the Boards and the control that exists over the Organizations, the financial statements of the Foundation and Institute have been consolidated. The Foundation and Institute continue to operate as separate entities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and, as a result, all significant intra-entity balances and transactions have been eliminated in consolidation.

Basis of Accounting

The Foundation and Institute prepare their consolidated financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when obligations are incurred.

Income Tax Status

The Foundation and Institute are exempt from the payment of income taxes on their exempt activities under Section 501(c)(3) of the Internal Revenue Code, and are classified as organizations that are not a private foundation under Section 509(a)(3) of the Code.

The Organizations evaluated their tax positions and determined that their positions are more likely than not to be sustained on examination. The Foundation's and Institute's 2011 through 2013 tax years are open for examination by the IRS.

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For consolidated financial statement purposes, the Foundation and Institute consider their overnight sweep accounts invested in repurchase agreements to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of a receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Inventory and Development Costs

The Institute's inventory is stated at the lower of cost, determined by the weighted average method, or market. Inventory consists solely of paper, printing, binding and other duplication costs of finished products: primarily textbooks, videotapes, and course materials.

Development costs consist of charges associated with specific projects (personnel costs, author fees, editing, etc.) that are either finished goods or work-in-progress. Development costs for finished goods projects are amortized to cost of materials sold when the product becomes available for sale using the sum-of-the-years-digits method over the estimated useful lives of the product, ranging from two to four years. The consolidated statements of activities include \$471,542 and \$509,811 in amortized development costs, under product activities, during 2014 and 2013, respectively.

Development costs associated with projects that are discontinued or deemed impaired are charged to cost of materials sold at the time management determines the project is no longer viable.

Investments

Investments are recorded at fair value and include cash equivalents related to the portfolio.

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments and Hedging Activities

The Foundation invests in hedge funds that invest in various derivative instruments (e.g., options, warrants, futures, swap contracts, commodity-indexed funds, etc.). Derivative instruments are typically held to advance fund investment strategies to hedge investment risk to economically meet the objectives of the fund. The derivatives within the hedge fund that the Foundation invests in are recorded at estimated fair value and the resulting gains and losses are reflected as a component of investment income in the consolidated statements of activities.

Fair Value Measurements

The Foundation and the Institute account for a significant portion of their financial instruments at fair value or consider fair value in their measurement. The Foundation and Institute account for certain financial assets and liabilities at fair value under various accounting literature. The Foundation and Institute also account for certain assets at fair value under applicable industry guidance.

Fair Value Hierarchy

The Foundation and the Institute have categorized their financial instruments based on the priority of the inputs to the valuation technique, into a three-level 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 of the instrument.

Financial assets and liabilities recorded on the consolidated statement of financial position 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 Foundation and Institute have 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 2 inputs include among others, quoted prices for similar assets or liabilities in active market or non-active market.

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. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Hierarchy (Continued)

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life of the assets (3-25 years). Leasehold improvements are amortized over the remaining life of the lease agreement. Acquisitions of property and equipment equal or greater than \$1,000 and with a useful life of one year or more are capitalized.

Deferred Revenue

Deferred revenue consists principally of seminar and meeting registration fees that have been received in advance of the periods to which they relate and prepaid amounts received for educational materials that have not been shipped.

Liability for Returns

A liability for returns on sales of educational material has been established based upon management's estimate of future amounts to be returned.

Deferred Rent Credit

The annual rent increase is being amortized over the life of the lease, and as a result, the Institute is recognizing rent expense on the straight-line basis over the lease term. The unamortized portion resulting from the difference between the amounts paid and expensed make up the deferred rent obligation on the consolidated statements of financial position.

Net Assets

Net assets are classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions. In order to account for limitations placed on the use of resources available to the Foundation and the Institute, their accounts are maintained in accordance with the principles of fund accounting. A description of each net asset group is as follows:

Unrestricted - Represents unrestricted resources available for the support of general and designated operations of the Foundation and Institute.

Temporarily Restricted - Represents contributions received from donors and earnings on permanently restricted net assets that are restricted for a specified purpose or time restricted.

Permanently Restricted - Represents contributions received from donors who have specified that the corpus of their original and certain subsequent gifts be maintained in perpetuity. The net earnings from the investment of the corpus are temporarily restricted for the purpose of funding scholarships and grants as directed by the donors.

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Foundation records contributions received and promises to give at their fair value as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions.

Revenue from sales of educational materials, conferences and other services is recognized as earned in the period in which the event takes place or the service is provided.

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the consolidated statements of activities. Personnel and overhead costs have been allocated among the functional activities benefited.

The Foundation considers all expenses other than the direct costs related to scholarships, grants and research publications to be supporting services expenses of the Foundation.

The Institute has allocated indirect costs such as salaries, benefits and general administrative costs to its program services based on the proportionate revenue derived by each program activity for financial reporting purposes. Only direct management and general expenses are considered to be supporting costs of the Institute and therefore do not include an allocation of indirect costs.

Advertising Costs

Advertising costs, which include marketing brochures, flyers, and complimentary material of the Institute, are expensed as incurred. Advertising costs charged to expense totaled \$142,402 for 2014 and \$155,465 for 2013.

Measure of Operations

The Foundation and the Institute consider realized and unrealized gains and losses on investments to be other items not included in operations.

Reclassification

Certain reclassifications have been made to adjust 2013 amounts to conform with 2014 presentation. These reclassifications had no effect on previously reported net asset amounts.

Subsequent Events

In preparing these financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through April 6, 2015, the date the financial statements were available to be issued.

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 3 CONCENTRATION OF CREDIT AND MARKET RISKS

The Foundation and Institute maintain their funds in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation also invests in a variety of investments. These investments are exposed to various risks, such as fluctuations in market value and credit risk. It is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

NOTE 4 INVESTMENTS

Investments, other than investments in money funds and custodian cash that are carried at cost, which approximates fair value, are recorded at fair value. Investments relate to unrestricted, temporarily restricted and permanently restricted net assets and are pooled into one account for the Foundation. Interest, dividends, and net unrealized and realized gains (losses) are allocated to temporarily restricted net assets based on the ratio of each individual or organization's permanently and temporarily restricted net asset balance to total net assets of the Foundation.

Investments are comprised of the following at December 31:

| | 2014 | | 2013 | |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Equities | \$ 7,215,804 | \$ 9,791,917 | \$ 7,707,811 | \$ 10,262,272 |
| Government Notes and Bonds | 3,100,202 | 3,143,044 | 2,044,422 | 2,043,596 |
| Corporate Bonds | 2,566,272 | 2,573,389 | 2,880,533 | 2,947,110 |
| Mutual Funds - Equities | 2,186,531 | 2,411,921 | 1,339,335 | 1,652,291 |
| Hedge Funds | 1,047,552 | 1,045,345 | 1,020,822 | 991,350 |
| Mutual Funds - Fixed Income | 963,745 | 912,790 | 1,469,275 | 1,394,652 |
| Real Estate Funds | 656,420 | 681,739 | 634,898 | 453,732 |
| Tangible Assets | 465,000 | 231,453 | 465,000 | 283,633 |
| Foreign Bonds | 198,705 | 191,275 | 292,630 | 280,472 |
| Money Funds and Custodian Cash | 755,003 | 755,003 | 531,427 | 531,427 |
| | <u>\$ 19,155,234</u> | <u>\$ 21,737,876</u> | <u>\$ 18,386,153</u> | <u>\$ 20,840,535</u> |

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 INVESTMENTS (CONTINUED)

Investment income, including interest from the operating accounts, consists of the following for the years ended December 31:

| | <u>2014</u> | <u>2013</u> |
|------------------------|---------------------|---------------------|
| Interest and Dividends | \$ 429,281 | \$ 520,954 |
| Realized Gain | 746,298 | 792,377 |
| Unrealized Gain | <u>128,260</u> | <u>1,410,766</u> |
| | <u>\$ 1,303,839</u> | <u>\$ 2,724,097</u> |

Investment fees for all investments totaled \$85,414 and \$76,980 for the years ended December 31, 2014 and 2013, respectively, and have been netted against interest and dividends in the consolidated statements of activities. Fees related to restricted investments totaled \$35,501 and \$31,694 for the years ended December 31, 2014 and 2013, respectively, and have been netted against temporarily restricted interest and dividends in the consolidated statements of activities.

NOTE 5 FAIR VALUE HIERARCHY

The following table presents the Foundation's fair value for those investments, excluding money and custodian cash funds, measured at fair value on a recurring basis as of December 31:

| | 2014 | | | |
|-----------------------------|----------------------|---------------------|---------------------|----------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Equities | \$ 9,791,917 | \$ - | \$ - | \$ 9,791,917 |
| Mutual Funds - Equities | 2,411,921 | - | - | 2,411,921 |
| Mutual Funds - Fixed Income | 912,790 | - | - | 912,790 |
| Real Estate Funds | 681,739 | - | - | 681,739 |
| Government Notes and Bonds | - | 3,143,044 | - | 3,143,044 |
| Corporate Bonds | - | 2,573,389 | - | 2,573,389 |
| Tangible Assets | - | 231,453 | - | 231,453 |
| Foreign Bonds | - | 191,275 | - | 191,275 |
| Hedge Funds | - | - | 1,045,345 | 1,045,345 |
| | <u>\$ 13,798,367</u> | <u>\$ 6,139,161</u> | <u>\$ 1,045,345</u> | <u>\$ 20,982,873</u> |
| | 2013 | | | |
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Equities | \$ 10,262,272 | \$ - | \$ - | \$ 10,262,272 |
| Mutual Funds - Equities | 1,652,291 | - | - | 1,652,291 |
| Mutual Funds - Fixed Income | 1,394,652 | - | - | 1,394,652 |
| Real Estate Funds | 453,732 | - | - | 453,732 |
| Corporate Bonds | - | 2,947,110 | - | 2,947,110 |
| Government Notes and Bonds | - | 2,043,596 | - | 2,043,596 |
| Tangible Assets | - | 283,633 | - | 283,633 |
| Foreign Bonds | - | 280,472 | - | 280,472 |
| Hedge Funds | - | - | 991,350 | 991,350 |
| | <u>\$ 13,762,947</u> | <u>\$ 5,554,811</u> | <u>\$ 991,350</u> | <u>\$ 20,309,108</u> |

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 5 FAIR VALUE HIERARCHY (CONTINUED)

Level 2 debt securities are being valued using matrix pricing, commodity indices, or other relevant information derived from market transactions for identical or comparable securities of the issuer or other issuers with similar ratings.

Level 3 investments consist of funds placed in closed-end investment management companies which invest their assets primarily in hedge funds managed by a select group of portfolio managers. These investments are invested in funds of funds. Valuation of hedge funds is based on net asset value provided by hedge fund managers who obtain the net asset value or ownership values from the underlying instruments in which they invest. Managers employ a variety of fundamental and quantitative valuation techniques and inputs including discretionary and systematic analysis, quantitative and fundamental approaches, long and short-term holding periods and models utilizing an unlimited number of variables, which are programmed into complex, frequently updated algorithms. Fair values for assets in Level 3 are calculated using assumptions about discounted cash flow and other present value techniques. There were no changes in the valuation techniques during the years ended December 31, 2014 and 2013.

The following table provides a summary of changes in fair value of the Foundation's Level 3 financial assets for the years ended December 31:

| | 2014 | 2013 |
|------------------------|---------------------|-------------------|
| Beginning Balance | \$ 991,350 | \$ 565,694 |
| Purchases | 28,345 | 480,356 |
| Realized Loss | (3,248) | (44,638) |
| Unrealized Gain (loss) | 28,898 | (10,062) |
| Ending Balances | <u>\$ 1,045,345</u> | <u>\$ 991,350</u> |

Fair Value Measurements of Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent):

| | 2014 | | |
|--|-----------------|----------------------|-------------------|
| | Net Asset Value | Redemption Frequency | Redemption Notice |
| Excelsior Multi Strategy Hedge Fund | \$ 628,204 | Quarterly | 10 Days |
| BACAP | 5,470 | In Liquidation | N/A - Illiquid |
| Grosvenor Registered Multi Strategy Fund | 411,671 | Quarterly | 65 Days |
| | 2013 | | |
| | Net Asset Value | Redemption Frequency | Redemption Notice |
| Excelsior Multi Strategy Hedge Fund | \$ 579,486 | Quarterly | 65 Days |
| BACAP | 11,864 | In Liquidation | N/A - Illiquid |
| Grosvenor Registered Multi Strategy Fund | 400,000 | Quarterly | 65 Days |

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 6 PROMISES TO GIVE

Promises to give at December 31, 2014 and 2013 represent unconditional amounts pledged under the *New Century Fund*, *Hospitality 2000*, and *Hilton Worldwide Scholarship* fundraising campaigns. Pledges expected to be collected in more than one year are initially measured at fair value. The fair value is estimated by calculating the present value of estimated future cash flows. As of December 31, 2014 and 2013, there were no long-term promises to give.

The amount of the discounted promises to give at December 31, 2014 and 2013 at the realizable present value is reflected below:

| | 2014 | 2013 |
|--------------------------------------|------|-----------|
| Receivable in Less Than One Year | \$ - | \$ 25,000 |
| Discount of Pledges to Present Value | - | - |
| Net Realizable Present Value | \$ - | \$ 25,000 |

Promises to give are presented in the December 31, 2014 and 2013 consolidated statements of financial position as follows:

| | 2014 | 2013 |
|-------------------------------------|------|-----------|
| Promises to Give, Current Portion | \$ - | \$ 25,000 |
| Promises to Give, Long-Term Portion | - | - |
| Total Promises to Give | \$ - | \$ 25,000 |

NOTE 7 PENSION PLAN

AH&LA and its affiliates, the Foundation and Institute, established a multiple employer 401(k) defined contribution plan, effective March 1, 1997. The 401(k) plan covers substantially all of the Organizations' employees who meet certain age and length of service requirements. Under the plan, the Foundation and Institute make matching contributions equal to 100% of the first 6% of the employees' elective contributions. All employee contributions are 100% vested. The plan stipulates that the Institute and Foundation's matching contributions vest over a three-year period. However, all contributions become 100% vested in the event of the participant's death, disability, or retirement. The Foundation's and Institute's 401(k) plan expense totaled \$171,274 and \$153,244 for the years ended December 31, 2014 and 2013, respectively.

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
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NOTE 8 LINE OF CREDIT

The Institute has a Line of Credit with Bank of America in the committed amount of \$1,000,000. The Line of Credit bears interest equal to the 30-day "LIBOR" rate plus 2.25 percent and requires monthly payments of interest. The Line of Credit is renewable on an annual basis and the period of availability currently expires on August 31, 2015. During the period of availability, the amount of the Line of Credit is reduced by Bank of America from time to time to a \$500,000 level, as preferred by the Institute based on its cash flow needs, to reduce financing costs. No outstanding amounts due existed on the Line of Credit at December 31, 2014 and 2013. The Foundation has executed a pledge agreement whereby a portion of the Foundation's investments and depository accounts secures the Institute's Line of Credit.

NOTE 9 RELATED PARTY TRANSACTIONS

The Foundation and Institute are affiliates of the American Hotel & Lodging Association (AH&LA) and AH&LA's wholly owned subsidiary, the American Hotel Association Directory Corporation (AHADC). The Boards of Trustees for the Foundation and Institute are the same, but separate and apart from the Board of Directors of AH&LA. The Foundation and Institute are supporting organizations to AH&LA; however, the AH&LA does not have the ability to require that a majority of the Foundation and Institute's Board members come from the Board of AH&LA.

Certain revenue and expenses related to the Foundation and the Institute are received and paid by AH&LA and AHADC on behalf of the Foundation and the Institute and in some instances expenses are paid by the Foundation and Institute on the affiliate's behalf. Such payments and receipts are accounted for through intra-company accounts.

Receipts collected by AH&LA and subsidiary on behalf of the Foundation primarily include amounts relating to special events. AH&LA collected payments on behalf of the Foundation totaling approximately \$304,000 and \$460,000 for 2014 and 2013, respectively. Expenses paid by AH&LA and subsidiary and charged to the Foundation primarily include occupancy, office and overhead costs. Total expenses paid by AH&LA and charged to the Foundation were approximately \$623,000 and \$678,000 in 2014 and 2013, respectively. At December 31, 2014 and 2013, the Foundation owed AH&LA \$49,878 and \$55,346, respectively, for special event sponsorship.

In 2014 and 2013, the Institute collected payments on behalf of AH&LA totaling approximately \$11,000 and \$2,000, respectively. Expenses paid by AH&LA and the Institute on behalf of one another primarily include costs relating to seminars and meetings and certain information technology personnel and professional costs. Net expenses incurred by AH&LA on behalf of the Institute totaled approximately \$252,000 and \$344,000 in 2014 and 2013, respectively. At December 31, 2014 and 2013, the Institute owed AH&LA \$11,690 and \$29,106, respectively.

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 9 RELATED PARTY TRANSACTIONS (CONTINUED)

The Americas Lodging Investment Summit, LLC (ALIS) is a jointly developed for-profit limited liability company, with two partners (AH&LA and Burba Hotel Network, LLC) organized for the purposes of developing and operating an educational lodging conference in the western United States on an annual basis. The proportionate share of net income realized by AH&LA during 2014 and 2013 was \$2,076,914 and \$1,781,761, respectively. In accordance with the LLC operating agreement and in the form of a contribution, the Foundation and the Institute each received approximately \$780,000 for 2014 and \$660,000 for 2013 from ALIS.

NOTE 10 CONCENTRATION OF SALES OF EDUCATIONAL MATERIALS

In 2012, the Institute entered into a distribution agreement with Pearson Education, Inc. (Pearson), whereby Pearson distributes certain hospitality industry titles and related materials published by the Institute. Specifically, the Institute grants Pearson the exclusive right and license within the U.S. Academic Market to reproduce, manufacture, and print copies of the defined Hospitality Industry Titles produced by the Institute. In addition, Pearson is provided with the right to advertise, market, promote, sell and otherwise distribute the print reproductions of the defined Hospitality Industry Titles. In 2013, the agreement was amended to grant Pearson exclusive right to sell and distribute the access codes for the Institute's online programs, and in addition, to produce and distribute digital versions of the Hospitality Industry Titles ("eBooks").

The Institute and Pearson grant to each other non exclusive licenses to use the trademarks of their organizations to promote the defined Hospitality Industry Titles. The price to Pearson for purchase of Institute's print copies is 50% off prices listed in the agreement. Pearson agreed to pay to the Institute a portion of each online program sold by Pearson, as well as 45% of the net cash received by Pearson for the sale of eBooks. The initial term of the agreement was set at one year with a provision for an automatic one-year successive renewal. Sales of educational materials to Pearson aggregated to approximately 31% and 33% of total sales of educational products during 2014 and 2013, respectively. In March 2015 the Institute sent notice to Pearson for termination of the agreement effective July 2015.

NOTE 11 COMMITMENTS

Office Space Lease

The Institute entered into a non-cancelable office space lease agreement that commenced in July 1997 at Orlando, FL, which originally expired in July 2007, and was amended to expire in December 2016. The lease agreement contains an escalation provision that increases the annual base rent at a fixed amount per year. The annual rent increase is being amortized over the life of the lease, and as a result, the Institute is recognizing rent expense on the straight-line basis over the lease term. The unamortized portion resulting from the difference between the amounts paid and expensed make up the deferred rent obligation on the Consolidated Statements of Financial Position. Office rent expense recognized for the years ended December 31, 2014 and 2013 was \$382,453 and \$375,171, respectively.

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 11 COMMITMENTS (CONTINUED)

Office Space Lease (Continued)

Future minimum rental payments under the lease are as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|---------------------|
| 2015 | \$ 493,187 |
| 2016 | 507,917 |
| Total Minimum Lease Payments | <u>\$ 1,001,104</u> |

Under the provisions of the office lease agreement, the Institute is required to maintain a standby letter of credit in the amount of \$53,142.

AH&LA is liable for an office space lease in Washington, DC that is partially utilized by the Foundation and charged by AH&LA to the Foundation based on usage of space. Such charges totaled \$26,284 and \$25,582 during 2014 and 2013, respectively.

The Institute subleases a portion of its Orlando, Florida office space at 800 North Magnolia Avenue to a sub-tenant. Under the sublease agreement, rent charged totaled \$68,904 and \$79,689 for 2014 and 2013, respectively. As of December 31, 2014, there are no future commitments.

Capital Leases

The Institute and the Foundation have entered into leases for a new phone system and equipment under long-term lease agreements, which are classified as capital leases.

Capital lease amortization is included with depreciation expense in the statements. Future minimum commitments are as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---|-------------------|
| 2015 | \$ 231,079 |
| 2016 | 182,106 |
| 2017 | 146,775 |
| 2018 | 146,775 |
| 2019 | 8,368 |
| Total Minimum Lease Payments | 715,103 |
| Less: Amount Representing Interest | <u>(66,948)</u> |
| Present Value of Minimum Lease Payments | 648,155 |
| Less: Current Maturities | <u>(201,817)</u> |
| Noncurrent Portion of Obligations Under Capital Lease | <u>\$ 446,338</u> |

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
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NOTE 11 COMMITMENTS (CONTINUED)

The amount capitalized for lease arrangements and included in property and equipment in the statements of financial position as of December 31, 2014 and 2013 is as follows:

| | 2014 | 2013 |
|--------------------------|------------|------------|
| Equipment | \$ 992,291 | \$ 915,551 |
| Accumulated Depreciation | (364,203) | (707,595) |
| Equipment, net | \$ 628,088 | \$ 207,956 |

Hotel Contracts

The Foundation has entered into contracts with hotels for events through 2015. Special events amounts are recorded as expenses in the year which the event occurs. If these events are cancelled before they occur, the Foundation may be liable for certain amounts, depending on when cancellation occurs. At December 31, 2014, total potential commitments were approximately \$204,000.

NOTE 12 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets and changes therein are comprised of the following:

| | Balance, December 31, 2013 | Additions | Releases | Balance, December 31, 2014 |
|---|----------------------------------|------------|--------------|----------------------------------|
| Purpose restricted: | | | | |
| Endowment: | | | | |
| Scholarships | \$ 2,990,953 | \$ 542,125 | \$ (186,418) | \$ 3,346,660 |
| Other temporarily restricted: | | | | |
| Scholarships | 113,411 | 145,669 | (134,700) | 124,380 |
| Total purpose restricted | 3,104,364 | 687,794 | (321,118) | 3,471,040 |
| Time restricted: | | | | |
| Other temporarily restricted: | | | | |
| Special Events | 38,535 | 88,660 | (127,195) | - |
| Total temporarily restricted net assets | \$ 3,142,899 | \$ 776,454 | \$ (448,313) | \$ 3,471,040 |

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 12 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

| | Balance, December 31, 2012 | Additions | Releases | Balance, December 31, 2013 |
|---|----------------------------------|---------------------|---------------------|----------------------------------|
| Purpose restricted: | | | | |
| Endowment: | | | | |
| Scholarships | \$ 2,099,256 | \$ 1,082,894 | \$ (191,197) | \$ 2,990,953 |
| Other temporarily restricted: | | | | |
| Scholarships | 114,549 | 154,845 | (155,983) | 113,411 |
| Total purpose restricted | <u>2,213,805</u> | <u>1,237,739</u> | <u>(347,180)</u> | <u>3,104,364</u> |
| Time restricted: | | | | |
| Other temporarily restricted: | | | | |
| Special Events | - | 128,220 | (89,685) | 38,535 |
| Total temporarily restricted net assets | <u>\$ 2,213,805</u> | <u>\$ 1,365,959</u> | <u>\$ (436,865)</u> | <u>\$ 3,142,899</u> |

NOTE 13 ENDOWMENTS

The Foundation's endowment consists of several funds established for a variety of purposes to provide for the long-term support of the Foundation and its programs. Its endowments include donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the 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 fund absent explicit Foundation donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of the gifts to the permanent endowment and the value of subsequent gifts to the permanent endowment. The remaining portion of donor-restricted endowment funds, if any that is not classified as permanently restricted net assets, is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 13 ENDOWMENTS (CONTINUED)

Endowment net asset composition by type and changes in endowment net assets for the years ended December 31 is as follows:

| | 2014 | | | |
|---|--------------|------------------------|------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Endowment Net Assets, January 01, 2014 | \$ - | \$ 2,990,953 | \$ 4,679,291 | \$ 7,670,244 |
| Investment Return: | | | | |
| Investment Income | - | 171,078 | - | 171,078 |
| Net Realized and Unrealized Gains | - | 354,197 | - | 354,197 |
| Total Investment Return | - | 525,275 | - | 525,275 |
| Contributions | - | 16,850 | - | 16,850 |
| Appropriations of Endowment Assets for Expenditure | - | (186,418) | - | (186,418) |
| December 31, 2014 | <u>\$ -</u> | <u>\$ 3,346,660</u> | <u>\$ 4,679,291</u> | <u>\$ 8,025,951</u> |

| | 2013 | | | |
|--|--------------|------------------------|------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Endowment Net Assets, January 01, 2013 | \$ (860) | \$ 2,099,256 | \$ 4,478,844 | \$ 6,577,240 |
| Investment Return: | | | | |
| Investment Income | - | 169,616 | - | 169,616 |
| Net Realized and Unrealized Gains | - | 894,028 | - | 894,028 |
| Total Investment Return | - | 1,063,644 | - | 1,063,644 |
| Contributions | - | 19,250 | 200,447 | 219,697 |
| Appropriations of Endowment Assets for Expenditure | - | (190,337) | - | (190,337) |
| Other Changes: | | | | |
| Reclass of Donor-Restricted Endowment Funds with Deficiencies | 860 | (860) | - | - |
| Endowment Net Assets, December 31, 2013 | <u>\$ -</u> | <u>\$ 2,990,953</u> | <u>\$ 4,679,291</u> | <u>\$ 7,670,244</u> |

Fund with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. There were no funds with deficiencies as of December 31, 2014 and 2013.

Investment Objectives and Strategies

To insure the preservation of its long-term endowment investments, the Foundation's Board of Trustees established an investment policy which reflects a "total return policy". Total return is defined as a combination of realized and unrealized capital appreciation as well as dividends and income for the trailing 30-month time period. The investment objective of the Fund is to protect the principal, to earn a return to satisfy the payout requirement and provide growth. To minimize volatility and risk, the portfolio is diversified through investments across various asset classes.

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 13 ENDOWMENTS (CONTINUED)

Within each asset group, further diversification is to be achieved through investment in securities across numerous industries and sectors as determined by the investment manager.

Spending Policy

The Foundation has also established a spending policy for its Endowment Funds that allows it to draw between 2 – 5% of the Fund’s two-year rolling average year-end values plus the value on June 30 of the appropriation year for scholarship and grant purposes. The Investment Committee decides the payout rate in July each year based on the investment performance and project returns for the trailing 30-month period.



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Trustees
American Hotel and Lodging Educational Foundation, Inc.
American Hotel & Lodging Educational Institute

We have audited the consolidated financial statements of the American Hotel and Lodging Educational Foundation, Inc. and the American Hotel & Lodging Educational Institute as of and for the years ended December 31, 2014 and 2013, and have issued our report thereon dated April 6, 2015, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 23-30 is presented for the purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
April 6, 2015

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

| | Consolidating Information | | | Consolidated Total |
|---|--|---|--------------------|-----------------------|
| | American Hotel and Lodging Educational Foundation, Inc. | American Hotel and Lodging Educational Institute | Eliminations | |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and Cash Equivalents | \$ 125,153 | \$ 5,050,003 | \$ - | \$ 5,175,156 |
| Accounts Receivable | 85,781 | 704,904 | - | 790,685 |
| Less: Allowance for Doubtful Accounts | - | (68,000) | - | (68,000) |
| Net Accounts Receivable | 85,781 | 636,904 | - | 722,685 |
| Grants Receivable | - | 71,696 | (71,696) | - |
| Due from Affiliated Entities: | | | | |
| American Hotel & Lodging Educational Foundation, Inc. | - | 20,672 | (20,672) | - |
| Total | - | 20,672 | (20,672) | - |
| Inventory | - | 362,335 | - | 362,335 |
| Prepaid Expenses and Deposits | 5,571 | 230,846 | - | 236,417 |
| Other Assets | - | 38,950 | - | 38,950 |
| Total Current Assets | 216,505 | 6,411,406 | (92,368) | 6,535,543 |
| INVESTMENTS | 21,737,876 | - | - | 21,737,876 |
| DEVELOPMENT COSTS | | | | |
| Finished Goods, net of amortization | - | 668,491 | - | 668,491 |
| Work-in-Progress | - | 384,648 | - | 384,648 |
| Total Development Cost | - | 1,053,139 | - | 1,053,139 |
| PROPERTY AND EQUIPMENT | | | | |
| Land | - | 106,483 | - | 106,483 |
| Building | - | 883,286 | - | 883,286 |
| Leasehold Improvements | - | 877,137 | - | 877,137 |
| Furniture, Fixtures, and Equipment | 6,500 | 616,584 | - | 623,084 |
| Computer Equipment and Software | - | 967,732 | - | 967,732 |
| Capital Lease Assets | - | 992,291 | - | 992,291 |
| Total Property and Equipment | 6,500 | 4,443,513 | - | 4,450,013 |
| Less: Accumulated Depreciation and Amortization | (6,500) | (3,371,472) | - | (3,377,972) |
| | - | 1,072,041 | - | 1,072,041 |
| Total Assets | \$ 21,954,381 | \$ 8,536,586 | \$ (92,368) | \$ 30,398,599 |

**AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2014
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

| | Consolidating Information | | | Consolidated Total |
|--|--|---|--------------|-----------------------|
| | American Hotel and Lodging Educational Foundation, Inc. | American Hotel and Lodging Educational Institute | Eliminations | |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts Payable and Accrued Expenses | \$ 211,804 | \$ 895,839 | \$ - | \$ 1,107,643 |
| Grants Payable | 71,696 | - | (71,696) | - |
| Due to Affiliated Entities: | | | | |
| American Hotel & Lodging Association | 49,879 | 11,689 | - | 61,568 |
| American Hotel & Lodging Educational Institute | 20,672 | - | (20,672) | - |
| Total Due to Affiliated Entities | 70,551 | 11,689 | (20,672) | 61,568 |
| Deferred Revenue | - | 256,945 | - | 256,945 |
| Liability for Returns | - | 200,000 | - | 200,000 |
| Capital Leases | - | 201,817 | - | 201,817 |
| Total Current Liabilities | 354,051 | 1,566,290 | (92,368) | 1,827,973 |
| CAPITAL LEASES, NET OF CURRENT PORTION | - | 446,338 | - | 446,338 |
| DEFERRED RENT CREDIT | - | 253,436 | - | 253,436 |
| Total Liabilities | 354,051 | 2,266,064 | (92,368) | 2,527,747 |
| NET ASSETS | | | | |
| Unrestricted | 13,449,999 | 6,270,522 | - | 19,720,521 |
| Temporarily Restricted | 3,471,040 | - | - | 3,471,040 |
| Permanently Restricted | 4,679,291 | - | - | 4,679,291 |
| Total Net Assets | 21,600,330 | 6,270,522 | - | 27,870,852 |
| Total Liabilities and Net Assets | \$ 21,954,381 | \$ 8,536,586 | \$ (92,368) | \$ 30,398,599 |

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

| | Consolidating Information | | | Consolidated Total |
|---|--|---|------------------------|--------------------------|
| | American Hotel and Lodging Educational Foundation, Inc. | American Hotel and Lodging Educational Institute | Eliminations | |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and Cash Equivalents | \$ 85,642 | \$ 4,775,005 | \$ - | \$ 4,860,647 |
| Accounts Receivable | 53,975 | 924,748 | - | 978,723 |
| Less: Allowance for Doubtful Accounts | - | (90,000) | - | (90,000) |
| Total | 53,975 | 834,748 | - | 888,723 |
| Grants Receivable | - | 71,696 | (71,696) | - |
| Due from Affiliated Entities: | | | | |
| American Hotel and Lodging Educational Foundation, Inc. | - | 25,254 | (25,254) | - |
| Total | - | 25,254 | (25,254) | - |
| Promises to Give | 25,000 | - | - | 25,000 |
| Inventory | - | 352,628 | - | 352,628 |
| Prepaid Expenses and Deposits | 10,330 | 187,707 | - | 198,037 |
| Other Assets | - | 38,950 | - | 38,950 |
| Total Current Assets | 174,947 | 6,285,988 | (96,950) | 6,363,985 |
| INVESTMENTS | 20,840,535 | - | - | 20,840,535 |
| PROMISES TO GIVE, NET OF CURRENT PORTION | - | - | - | - |
| Less: Discount to Present Value | - | - | - | - |
| Net Promises to Give, Net of Current Portion | - | - | - | - |
| DEVELOPMENT COSTS | | | | |
| Finished Goods, net of amortization | - | 741,333 | - | 741,333 |
| Work-in-Progress | - | 256,481 | - | 256,481 |
| Total Development Cost | - | 997,814 | - | 997,814 |
| PROPERTY AND EQUIPMENT | | | | |
| Land | - | 106,483 | - | 106,483 |
| Building | - | 883,286 | - | 883,286 |
| Leasehold Improvements | - | 877,137 | - | 877,137 |
| Furniture, Fixtures, and Equipment | 6,500 | 590,435 | - | 596,935 |
| Computer Equipment and Software | - | 946,143 | - | 946,143 |
| Capital Lease Assets | - | 915,551 | - | 915,551 |
| Total Property and Equipment | 6,500 | 4,319,035 | - | 4,325,535 |
| Less: Accumulated Depreciation and Amortization | (6,500) | (3,583,414) | - | (3,589,914) |
| | - | 735,621 | - | 735,621 |
| Total Assets | <u>\$ 21,015,482</u> | <u>\$ 8,019,423</u> | <u>\$ (96,950)</u> | <u>\$ 28,937,955</u> |

**AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2013
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

| | Consolidating Information | | | Consolidated Total |
|--|--|---|--------------------|-----------------------|
| | American Hotel and Lodging Educational Foundation, Inc. | American Hotel and Lodging Educational Institute | Eliminations | |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts Payable and Accrued Expenses | \$ 207,306 | \$ 771,491 | \$ - | \$ 978,797 |
| Grants Payable | 71,696 | - | (71,696) | - |
| Due to Affiliated Entities: | | | | |
| American Hotel & Lodging Association | 55,347 | 29,106 | - | 84,453 |
| American Hotel & Lodging Educational Institute | 25,254 | - | (25,254) | - |
| Total Accounts Payable and Accrued Expenses | <u>80,601</u> | <u>29,106</u> | <u>(25,254)</u> | <u>84,453</u> |
| Deferred Revenue | - | 422,439 | - | 422,439 |
| Liability for Returns | - | 95,000 | - | 95,000 |
| Capital Leases | - | 105,782 | - | 105,782 |
| Total Current Liabilities | <u>359,603</u> | <u>1,423,818</u> | <u>(96,950)</u> | <u>1,686,471</u> |
| CAPITAL LEASES, NET OF CURRENT PORTION | - | 114,605 | - | 114,605 |
| DEFERRED RENT CREDIT | <u>-</u> | <u>358,432</u> | <u>-</u> | <u>358,432</u> |
| Total Liabilities | 359,603 | 1,896,855 | (96,950) | 2,159,508 |
| NET ASSETS | | | | |
| Unrestricted | 12,833,689 | 6,122,568 | - | 18,956,257 |
| Temporarily Restricted | 3,142,899 | - | - | 3,142,899 |
| Permanently Restricted | 4,679,291 | - | - | 4,679,291 |
| Total Net Assets | <u>20,655,879</u> | <u>6,122,568</u> | <u>-</u> | <u>26,778,447</u> |
| Total Liabilities and Net Assets | <u>\$ 21,015,482</u> | <u>\$ 8,019,423</u> | <u>\$ (96,950)</u> | <u>\$ 28,937,955</u> |

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

| | American Hotel and Lodging Educational Foundation, Inc. | | | | American Hotel & Lodging Educational Institute | | | Eliminations | Consolidated Total |
|--|---|------------------------|------------------------|---------------|--|------------------------|--------------|--------------|--------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Total | | |
| REVENUE | | | | | | | | | |
| Product Activities: | | | | | | | | | |
| Sales of Educational Materials | \$ - | \$ - | \$ - | \$ - | \$ 6,124,451 | \$ - | \$ 6,124,451 | \$ (2,200) | \$ 6,122,251 |
| Less Returns and Allowances | - | - | - | - | (293,753) | - | (293,753) | - | (293,753) |
| Net Sales of Educational Materials | - | - | - | - | 5,830,698 | - | 5,830,698 | (2,200) | 5,828,498 |
| Shipping and Handling | - | - | - | - | 309,541 | - | 309,541 | - | 309,541 |
| Total Product Activities | - | - | - | - | 6,140,239 | - | 6,140,239 | (2,200) | 6,138,039 |
| Service Activities: | | | | | | | | | |
| Licenses | - | - | - | - | 469,490 | - | 469,490 | - | 469,490 |
| Seminars, Special Projects and Partner Program | - | - | - | - | 1,068,957 | 13,750 | 1,082,707 | - | 1,082,707 |
| Registrations and Fees | - | - | - | - | 1,587,990 | - | 1,587,990 | (650) | 1,587,340 |
| Total Service Activities | - | - | - | - | 3,126,437 | 13,750 | 3,140,187 | (650) | 3,139,537 |
| Fundraising and Support: | | | | | | | | | |
| Grant from AH&LEF | - | - | - | - | 284,500 | - | 284,500 | (284,500) | - |
| Special Events | 483,318 | 88,660 | - | 571,978 | - | - | - | - | 571,978 |
| Contributions - Other | 296,682 | 134,850 | - | 431,532 | - | - | - | - | 431,532 |
| Contribution/Sponsorships from ALIS | 778,917 | - | - | 778,917 | 778,917 | - | 778,917 | - | 1,557,834 |
| Total Fundraising and Support | 1,558,917 | 223,510 | - | 1,782,427 | 1,063,417 | - | 1,063,417 | (284,500) | 2,561,344 |
| Investment Income: | | | | | | | | | |
| Interest and Dividends - Investments | 233,552 | 171,078 | - | 404,630 | - | - | - | - | 404,630 |
| Interest - Operating Account | - | - | - | - | 24,651 | - | 24,651 | - | 24,651 |
| Total Investment Income | 233,552 | 171,078 | - | 404,630 | 24,651 | - | 24,651 | - | 429,281 |
| Other Income: | | | | | | | | | |
| Amortization of AH&LEI Grant Discount | - | - | - | - | 9 | - | 9 | - | 9 |
| Newsletter Advertising Fees | - | - | - | - | 11,020 | - | 11,020 | - | 11,020 |
| Sublease | - | - | - | - | 68,904 | - | 68,904 | - | 68,904 |
| Total Other Income | - | - | - | - | 79,933 | - | 79,933 | - | 79,933 |
| Reclass of Donor-Restricted | | | | | | | | | |
| Endowment Funds with Deficiencies | - | - | - | - | - | - | - | - | - |
| Net Assets Released From Restrictions: | | | | | | | | | |
| Release of Purpose Restrictions | 434,563 | (434,563) | - | - | - | - | - | - | - |
| Release of Time Restrictions | - | - | - | - | 13,750 | (13,750) | - | - | - |
| Total Net Assets Released From Restrictions | 434,563 | (434,563) | - | - | 13,750 | (13,750) | - | - | - |
| Total Revenue | 2,227,032 | (39,975) | - | 2,187,057 | 10,448,427 | - | 10,448,427 | (287,350) | 12,348,134 |
| EXPENSES | | | | | | | | | |
| Program Services: | | | | | | | | | |
| Grants and Scholarships: | | | | | | | | | |
| Workforce Development Grant | 116,500 | - | - | 116,500 | - | - | - | (116,500) | - |
| Amortization of AH&LEI Grant Discount | - | - | - | - | - | - | - | - | - |
| School-to-Career Grant | 84,000 | - | - | 84,000 | - | - | - | (84,000) | - |
| Other Grants and Scholarships | 805,289 | - | - | 805,289 | - | - | - | (86,850) | 718,439 |
| Total Grants and Scholarships | 1,005,789 | - | - | 1,005,789 | - | - | - | (287,350) | 718,439 |
| Product Activities | - | - | - | - | 6,026,689 | - | 6,026,689 | - | 6,026,689 |
| Service Activities | - | - | - | - | 3,068,620 | - | 3,068,620 | - | 3,068,620 |
| Total Program Services | 1,005,789 | - | - | 1,005,789 | 9,095,309 | - | 9,095,309 | (287,350) | 9,813,748 |
| Supporting Services: | | | | | | | | | |
| Management and General | 510,891 | - | - | 510,891 | 1,205,164 | - | 1,205,164 | - | 1,716,055 |
| Fundraising | 600,484 | - | - | 600,484 | - | - | - | - | 600,484 |
| Total Supporting Services | 1,111,375 | - | - | 1,111,375 | 1,205,164 | - | 1,205,164 | - | 2,316,539 |
| Total Expenses | 2,117,164 | - | - | 2,117,164 | 10,300,473 | - | 10,300,473 | (287,350) | 12,130,287 |
| CHANGE IN NET ASSETS FROM OPERATIONS | 109,868 | (39,975) | - | 69,893 | 147,954 | - | 147,954 | - | 217,847 |
| Other Items: | | | | | | | | | |
| Realized Gain on Investments | 436,732 | 309,566 | - | 746,298 | - | - | - | - | 746,298 |
| Unrealized Gain on Investments | 69,710 | 58,550 | - | 128,260 | - | - | - | - | 128,260 |
| CHANGE IN NET ASSETS | 616,310 | 328,141 | - | 944,451 | 147,954 | - | 147,954 | - | 1,092,405 |
| Beginning Net Assets | 12,833,689 | 3,142,899 | 4,679,291 | 20,655,879 | 6,122,568 | - | 6,122,568 | - | 26,778,447 |
| ENDING NET ASSETS | \$ 13,449,999 | \$ 3,471,040 | \$ 4,679,291 | \$ 21,600,330 | \$ 6,270,522 | \$ - | \$ 6,270,522 | \$ - | \$ 27,870,852 |

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

| | American Hotel and Lodging Educational Foundation, Inc. | | | | American Hotel & Lodging Educational Institute | | | Eliminations | Consolidated Total |
|--|---|---------------------------|---------------------------|----------------------|--|---------------------------|---------------------|--------------|-----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Total | | |
| REVENUE | | | | | | | | | |
| Product Activities: | | | | | | | | | |
| Sales of Educational Materials | \$ - | \$ - | \$ - | \$ - | \$ 7,345,940 | \$ - | \$ 7,345,940 | \$ (28,450) | \$ 7,317,490 |
| Less Returns and Allowances | - | - | - | - | (1,707) | - | (1,707) | - | (1,707) |
| Net sales of educational materials | - | - | - | - | 7,344,233 | - | 7,344,233 | (28,450) | 7,315,783 |
| Shipping and Handling | - | - | - | - | 367,814 | - | 367,814 | - | 367,814 |
| Total Product Activities | - | - | - | - | 7,712,047 | - | 7,712,047 | (28,450) | 7,683,597 |
| Service Activities: | | | | | | | | | |
| Licenses | - | - | - | - | 569,927 | - | 569,927 | - | 569,927 |
| Seminars, Special Projects and Partner Program | - | - | - | - | 955,697 | 15,250 | 970,947 | - | 970,947 |
| Registrations and Fees | - | - | - | - | 1,464,098 | - | 1,464,098 | (3,500) | 1,460,598 |
| Total Service Activities | - | - | - | - | 2,989,722 | 15,250 | 3,004,972 | (3,500) | 3,001,472 |
| Fundraising and Support: | | | | | | | | | |
| Grant from AH&LEF | - | - | - | - | 198,897 | - | 198,897 | (198,897) | - |
| Special Events | 423,611 | 128,220 | - | 551,831 | - | - | - | - | 551,831 |
| Contributions - Other | 261,997 | 137,450 | 200,447 | 599,894 | 4,397 | - | 4,397 | - | 604,291 |
| Contribution from ALIS | 661,747 | - | - | 661,747 | 657,350 | - | 657,350 | - | 1,319,097 |
| Total Fundraising and Support | 1,347,355 | 265,670 | 200,447 | 1,813,472 | 860,644 | - | 860,644 | (198,897) | 2,475,219 |
| Investment Income: | | | | | | | | | |
| Interest and Dividends - Investments | 316,204 | 183,155 | - | 499,359 | - | - | - | - | 499,359 |
| Interest - Operating Account | - | - | - | - | 21,595 | - | 21,595 | - | 21,595 |
| Total Investment Income | 316,204 | 183,155 | - | 499,359 | 21,595 | - | 21,595 | - | 520,954 |
| Other Income: | | | | | | | | | |
| Amortization of AH&LEI Grant Discount | - | - | - | - | 9 | - | 9 | (9) | - |
| Sublease | - | - | - | - | 79,689 | - | 79,689 | - | 79,689 |
| Total Other Income | - | - | - | - | 79,698 | - | 79,698 | (9) | 79,689 |
| Reclass of Donor-Restricted | | | | | | | | | |
| Endowment Funds with Deficiencies | 859 | (859) | - | - | - | - | - | - | - |
| Net Assets Released From Restrictions: | | | | | | | | | |
| Release of Purpose Restrictions | 420,756 | (420,756) | - | - | - | - | - | - | - |
| Release of Time Restrictions | - | - | - | - | 15,250 | (15,250) | - | - | - |
| Total Net Assets Released From Restrictions | 420,756 | (420,756) | - | - | 15,250 | (15,250) | - | - | - |
| Total Revenue | 2,085,174 | 27,210 | 200,447 | 2,312,831 | 11,678,956 | - | 11,678,956 | (230,856) | 13,760,931 |
| EXPENSES | | | | | | | | | |
| Program Services: | | | | | | | | | |
| Grants and Scholarships: | | | | | | | | | |
| Workforce Development Grant | 116,500 | - | - | 116,500 | - | - | - | (116,500) | - |
| Amortization of AH&LEI Grant Discount | 9 | - | - | 9 | - | - | - | (9) | - |
| School-to-Career Grant | 74,000 | - | - | 74,000 | - | - | - | (74,000) | - |
| Other Grants and Scholarships | 814,912 | - | - | 814,912 | - | - | - | (33,441) | 781,471 |
| Total Grants and Scholarships | 1,005,421 | - | - | 1,005,421 | - | - | - | (223,950) | 781,471 |
| Product Activities | - | - | - | - | 6,526,286 | - | 6,526,286 | (6,906) | 6,519,380 |
| Service Activities | - | - | - | - | 2,542,945 | - | 2,542,945 | - | 2,542,945 |
| Total Program Services | 1,005,421 | - | - | 1,005,421 | 9,069,231 | - | 9,069,231 | (230,856) | 9,843,796 |
| Supporting Services: | | | | | | | | | |
| Management and General | 657,115 | - | - | 657,115 | 1,121,194 | - | 1,121,194 | - | 1,778,309 |
| Fundraising | 384,417 | - | - | 384,417 | - | - | - | - | 384,417 |
| Total Supporting Services | 1,041,532 | - | - | 1,041,532 | 1,121,194 | - | 1,121,194 | - | 2,162,726 |
| Total Expenses | 2,046,953 | - | - | 2,046,953 | 10,190,425 | - | 10,190,425 | (230,856) | 12,006,522 |
| CHANGE IN NET ASSETS FROM OPERATIONS | 38,221 | 27,210 | 200,447 | 265,878 | 1,488,531 | - | 1,488,531 | - | 1,754,409 |
| Other Items: | | | | | | | | | |
| Realized Gain on Investments | 466,048 | 326,329 | - | 792,377 | - | - | - | - | 792,377 |
| Unrealized Gain on Investments | 835,211 | 575,555 | - | 1,410,766 | - | - | - | - | 1,410,766 |
| CHANGE IN NET ASSETS | 1,339,480 | 929,094 | 200,447 | 2,469,021 | 1,488,531 | - | 1,488,531 | - | 3,957,552 |
| Beginning Net Assets | 11,494,209 | 2,213,805 | 4,478,844 | 18,186,858 | 4,634,037 | - | 4,634,037 | - | 22,820,895 |
| ENDING NET ASSETS | <u>\$ 12,833,689</u> | <u>\$ 3,142,899</u> | <u>\$ 4,679,291</u> | <u>\$ 20,655,879</u> | <u>\$ 6,122,568</u> | <u>\$ -</u> | <u>\$ 6,122,568</u> | <u>\$ -</u> | <u>\$ 26,778,447</u> |

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

| | American Hotel and Lodging Educational Foundation, Inc. | American Hotel & Lodging Educational Institute | Consolidated Total |
|--|---|--|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Change in Net Assets | \$ 944,451 | \$ 147,954 | \$ 1,092,405 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | | |
| Depreciation and Amortization | - | 355,918 | 355,918 |
| Unrealized Gain on Investments | (128,260) | - | (128,260) |
| Donated Stock | (10,186) | - | (10,186) |
| Realized Gain on Sales of Investments | (746,298) | - | (746,298) |
| Changes in Assets and Liabilities: | | | |
| Accounts Receivable, Net | (31,806) | 197,844 | 166,038 |
| Due from Affiliated Entities | - | 4,582 | 4,582 |
| Inventory | - | (9,707) | (9,707) |
| Prepaid Expenses and Deposits | 4,759 | (43,139) | (38,380) |
| Promises to Give, Net | 25,000 | - | 25,000 |
| Grants Receivable | - | - | - |
| Development Costs | - | (55,325) | (55,325) |
| Accounts Payable and Accrued Expenses | 4,498 | 124,348 | 128,846 |
| Due to Affiliated Entities | (10,050) | (17,417) | (27,467) |
| Deferred Revenue | - | (165,494) | (165,494) |
| Deferred Rent Credit | - | (104,996) | (104,996) |
| Liability for Returns | - | 105,000 | 105,000 |
| Grants Payable | - | - | - |
| Net Cash Provided by Operating Activities | <u>52,108</u> | <u>539,568</u> | <u>591,676</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of Investments | (5,957,666) | - | (5,957,666) |
| Proceeds from Sales and Maturities of Investments | 5,945,069 | - | 5,945,069 |
| Purchases of Property and Equipment | - | (47,739) | (47,739) |
| Net Cash Used in Investing Activities | <u>(12,597)</u> | <u>(47,739)</u> | <u>(60,336)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Payments on Capital Lease Obligations | - | (216,831) | (216,831) |
| Net Cash Used in Financing Activities | <u>-</u> | <u>(216,831)</u> | <u>(216,831)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 39,511 | 274,998 | 314,509 |
| Cash and Cash Equivalents - Beginning of Period | <u>85,642</u> | <u>4,775,005</u> | <u>4,860,647</u> |
| CASH AND CASH EQUIVALENTS - END OF PERIOD | <u>\$ 125,153</u> | <u>\$ 5,050,003</u> | <u>\$ 5,175,156</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | | |
| Cash Paid During the Year for Interest | <u>\$ -</u> | <u>\$ 37,884</u> | <u>\$ 37,884</u> |

AMERICAN HOTEL AND LODGING EDUCATIONAL FOUNDATION, INC.
AMERICAN HOTEL & LODGING EDUCATIONAL INSTITUTE
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

| | Consolidating Information | | |
|--|---|--|-----------------------|
| | American Hotel and Lodging Educational Foundation, Inc. | American Hotel & Lodging Educational Institute | Consolidated Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Change in Net Assets | \$ 2,469,021 | \$ 1,488,531 | \$ 3,957,552 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | | |
| Depreciation and Amortization | 303 | 339,710 | 340,013 |
| Unrealized Gain on Investments | (1,410,766) | - | (1,410,766) |
| Realized Gain on Sales of Investments | (792,377) | - | (792,377) |
| Changes in Assets and Liabilities: | | | |
| Accounts Receivable | (46,775) | 34,557 | (12,218) |
| Due to Affiliated Entities | 449 | (25,254) | (24,805) |
| Inventory | - | 49,172 | 49,172 |
| Prepaid Expenses and Deposits | (2,543) | 14,305 | 11,762 |
| Promises to Give, Net | 24,800 | - | 24,800 |
| Grants Receivable | - | 14,171 | 14,171 |
| Development Costs | - | (3,560) | (3,560) |
| Accounts Payable and Accrued Expenses | 39,161 | (52,292) | (13,131) |
| Due to Affiliated Entities | 12,977 | (35,379) | (22,402) |
| Deferred Revenue | (7,200) | (33,383) | (40,583) |
| Deferred Rent Credit | - | (91,011) | (91,011) |
| Liability for Returns | - | (179,327) | (179,327) |
| Grants Payable | (14,171) | - | (14,171) |
| Net Cash Provided by Operating Activities | <u>272,879</u> | <u>1,520,240</u> | <u>1,793,119</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of Investments | (6,071,293) | - | (6,071,293) |
| Proceeds from Sales and Maturities of Investments | 5,825,905 | - | 5,825,905 |
| Purchases of Property and Equipment | - | (38,635) | (38,635) |
| Net Cash Used in Investing Activities | <u>(245,388)</u> | <u>(38,635)</u> | <u>(284,023)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Payments on Capital Lease Obligations | - | (190,225) | (190,225) |
| Net Cash Used In Financing Activities | <u>-</u> | <u>(190,225)</u> | <u>(190,225)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 27,491 | 1,291,380 | 1,318,871 |
| Cash and Cash Equivalents - Beginning of Period | <u>58,151</u> | <u>3,483,625</u> | <u>3,541,776</u> |
| CASH AND CASH EQUIVALENTS - END OF PERIOD | <u>\$ 85,642</u> | <u>\$ 4,775,005</u> | <u>\$ 4,860,647</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | | |
| Cash Paid During the Year for Interest | <u>\$ -</u> | <u>\$ 18,102</u> | <u>\$ 18,102</u> |