

**Intercollegiate Studies Institute, Inc.  
and Subsidiary**

Consolidated Financial Statements

June 30, 2020 and 2019

# Intercollegiate Studies Institute, Inc. and Subsidiary

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## Independent Auditors' Report

To the Board of Trustees of  
Intercollegiate Studies Institute, Inc. and Subsidiary

We have audited the accompanying consolidated financial statements of the Intercollegiate Studies Institute, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019 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 Consolidated 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 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 consolidated 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 Intercollegiate Studies Institute, Inc. and Subsidiary as of June 30, 2020 and 2019 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.

*Baker Tilly US, LLP*

Philadelphia, Pennsylvania  
January 20, 2021

# Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Statements of Financial Position

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 6,145,802	\$ 4,966,921
Publications receivable, net of \$51,903 and \$58,478 allowance as of 2020 and 2019, respectively	75,184	114,533
Inventory	238,864	199,364
Contributions receivable, current	1,171,880	1,541,667
Prepaid expenses	3,200	68,486
	<u>7,634,930</u>	<u>6,890,971</u>
Total current assets		
<b>Other Assets</b>		
Contributions receivable, long-term	1,064,908	1,194,885
Long-term investments	6,026,760	6,221,264
Charitable remainder trusts	20,000	150,912
Land, buildings and equipment, net	3,828,544	3,620,909
	<u>10,940,212</u>	<u>11,187,970</u>
Total other assets		
Total assets	<u>\$ 18,575,142</u>	<u>\$ 18,078,941</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 174,933	\$ 191,493
Current maturities of capital lease payable	14,748	-
Current portion of long-term debt	333,577	-
Liability for funds held for others	75,910	125,428
	<u>599,168</u>	<u>316,921</u>
Total current liabilities		
<b>Long-Term Liabilities</b>		
Capital lease payable, net of current maturities	<u>55,305</u>	<u>-</u>
Total liabilities	<u>654,473</u>	<u>316,921</u>
<b>Net Assets</b>		
Without donor restriction	9,769,948	8,971,502
With donor restriction	8,150,721	8,790,518
	<u>17,920,669</u>	<u>17,762,020</u>
Total net assets		
Total liabilities and net assets	<u>\$ 18,575,142</u>	<u>\$ 18,078,941</u>

See notes to consolidated financial statements

**Intercollegiate Studies Institute, Inc. and Subsidiary**

Consolidated Statement of Activities

Year Ended June 30, 2020

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Revenue, Gains and Other Support</b>			
Contributions	\$ 2,882,897	\$ 1,988,993	\$ 4,871,890
Programs	182,444	-	182,444
Publication sales	526,245	-	526,245
Investment income	159,162	72,570	231,732
Rental income	108,646	-	108,646
Satisfaction of program restrictions	2,665,267	(2,665,267)	-
	<u>6,524,661</u>	<u>(603,704)</u>	<u>5,920,957</u>
<b>Expenses</b>			
Program:			
Publications	574,824	-	574,824
National student journalism	1,231,503	-	1,231,503
Lectures and debates	100,309	-	100,309
Honors fellows and fellowships	692,495	-	692,495
Membership services	477,559	-	477,559
Faculty development	96,234	-	96,234
Books	618,324	-	618,324
Liberty fund	306,488	-	306,488
Conferences	645,878	-	645,878
	<u>4,743,614</u>	<u>-</u>	<u>4,743,614</u>
Program support services:			
General and administrative	518,301	-	518,301
Development	425,747	-	425,747
	<u>944,048</u>	<u>-</u>	<u>944,048</u>
Total program support services			
	<u>944,048</u>	<u>-</u>	<u>944,048</u>
Total expenses	<u>5,687,662</u>	<u>-</u>	<u>5,687,662</u>
Change in net assets from operating activities	<u>836,999</u>	<u>(603,704)</u>	<u>233,295</u>
<b>Nonoperating Activities</b>			
Net realized gains on investments	75,805	17,264	93,069
Net unrealized losses on investments	(97,387)	(53,357)	(150,744)
Change in value of split-interest agreements	(16,971)	-	(16,971)
	<u>(38,553)</u>	<u>(36,093)</u>	<u>(74,646)</u>
Change in net assets from nonoperating activities			
	<u>(38,553)</u>	<u>(36,093)</u>	<u>(74,646)</u>
Change in net assets	798,446	(639,797)	158,649
<b>Net Assets, Beginning</b>	<u>8,971,502</u>	<u>8,790,518</u>	<u>17,762,020</u>
<b>Net Assets, Ending</b>	<u>\$ 9,769,948</u>	<u>\$ 8,150,721</u>	<u>\$ 17,920,669</u>

See notes to consolidated financial statements

## Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
<b>Revenue, Gains and Other Support</b>			
Contributions	\$ 4,455,096	\$ 2,433,308	\$ 6,888,404
Programs	175,401	-	175,401
Publication sales	521,725	-	521,725
Investment income	155,044	73,319	228,363
Rental income	34,381	-	34,381
Satisfaction of program restrictions	3,679,135	(3,679,135)	-
	<u>9,020,782</u>	<u>(1,172,508)</u>	<u>7,848,274</u>
<b>Expenses</b>			
Program:			
Publications	705,190	-	705,190
National student journalism	1,472,911	-	1,472,911
Lectures and debates	138,429	-	138,429
Honors fellows and fellowships	922,249	-	922,249
Membership services	669,602	-	669,602
Faculty development	189,657	-	189,657
Books	771,410	-	771,410
Liberty fund	433,913	-	433,913
Conferences	846,254	-	846,254
	<u>6,149,615</u>	<u>-</u>	<u>6,149,615</u>
Program support services:			
General and administrative	680,733	-	680,733
Development	559,092	-	559,092
	<u>1,239,825</u>	<u>-</u>	<u>1,239,825</u>
Total expenses	<u>7,389,440</u>	<u>-</u>	<u>7,389,440</u>
Change in net assets from operating activities	<u>1,631,342</u>	<u>(1,172,508)</u>	<u>458,834</u>
<b>Nonoperating Activities</b>			
Net realized gains on investments	56,624	37,525	94,149
Net unrealized gains on investments	95,941	79,360	175,301
Change in value of split-interest agreements	(109)	-	(109)
	<u>152,456</u>	<u>116,885</u>	<u>269,341</u>
Change in net assets from nonoperating activities	<u>152,456</u>	<u>116,885</u>	<u>269,341</u>
Change in net assets	<u>1,783,798</u>	<u>(1,055,623)</u>	<u>728,175</u>
<b>Net Assets, Beginning</b>	<u>7,187,704</u>	<u>9,846,141</u>	<u>17,033,845</u>
<b>Net Assets, Ending</b>	<u>\$ 8,971,502</u>	<u>\$ 8,790,518</u>	<u>\$ 17,762,020</u>

See notes to consolidated financial statements

## Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 158,649	\$ 728,175
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	132,898	234,048
Bad debt expense	51,903	58,478
Unrealized losses (gains) on investments	150,744	(175,301)
Realized gains on investments	(93,069)	(94,149)
Change in value of split-interest agreements	16,971	109
Changes in assets and liabilities:		
Publications receivable	(12,554)	(105,904)
Inventory	(39,500)	18,952
Contributions receivable	499,764	289,788
Prepaid expenses	65,286	5,227
Charitable remainder trusts	130,912	3,043
Accounts payable	(16,560)	66,001
Liability for funds held for others	(49,518)	(34,830)
	<u>995,926</u>	<u>993,637</u>
Net cash provided by operating activities		
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(263,106)	(137,218)
Purchases of investments	(302,066)	(175,358)
Proceeds from sale of long-term investments	421,924	256,644
	<u>(143,248)</u>	<u>(55,932)</u>
Net cash (used in) investing activities		
<b>Cash Flows From Financing Activities</b>		
Proceeds from issuance of long-term debt	333,577	-
Net payments on capital lease payable	(7,374)	-
	<u>326,203</u>	<u>-</u>
Net cash provided by financing activities		
Net increase in cash	1,178,881	937,705
<b>Cash, Beginning</b>	<u>4,966,921</u>	<u>4,029,216</u>
<b>Cash, Ending</b>	<u>\$ 6,145,802</u>	<u>\$ 4,966,921</u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Assets acquired from capital lease	<u>\$ 77,427</u>	<u>\$ -</u>

See notes to consolidated financial statements

# Intercollegiate Studies Institute, Inc. and Subsidiary

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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

## 1. Nature of Activities and Summary of Significant Accounting Policies

### Nature of Activities

The Intercollegiate Studies Institute, Inc., a not-for-profit organization, was founded in 1953 and is located in Wilmington, Delaware. The Institute's mission is to inspire Institute students to discover, embrace and advance the principles and virtues that make America free and prosperous.

Collegiate Network, Inc. is a wholly owned subsidiary founded to enhance the educational opportunities of Institute students by providing materials, advice and assistance to teachers and students involved with the production and writing of student newspapers and journals.

The above organizations are collectively referred to as the Institute.

### Principles of Consolidation

The consolidated financial statements include the accounts of Intercollegiate Studies Institute, Inc. and Collegiate Network Inc. All material intercompany balances and transactions have been eliminated.

### Basis of Presentation

The Institute's consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The Institute reports total assets, liabilities and net assets in a statement of financial position; reports the change in net assets in a statement of activities and reports the sources and uses of cash in a statement of cash flows.

### Net Assets

Net assets and revenues, gains, expenses and losses are classified as without donor restrictions or with donor restrictions based on the existence or absence of donor-imposed restrictions as follows:

**Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor, grantor or other outside party restrictions. The Board of Trustees may designate, from net assets without restrictions, net assets for specific use in a future period. As of June 30, 2020 and 2019 there have been no net assets designated for specific use by the Board of Trustees.

**Net Assets With Donor Restrictions** - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

All donor restricted support is reported as an increase in net assets with donor restriction. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restrictions and are reported in the statements of activities and as net assets released from restrictions.



# Intercollegiate Studies Institute, Inc. and Subsidiary

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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

## Financial Instruments and Risk Concentration

The Institute's principal financial instruments subject to credit risk are its cash, accounts receivable, contributions receivable, investments and investments in charitable gift annuities. Investment securities and investments in charitable gift annuities are exposed to various risks, such as interest rate and market credit risks. Due to the level of risk associated with certain investment securities and investments in charitable gift annuities and the level of uncertainty related to changes in the value of investment securities and investments in charitable gift annuities, it is at least reasonably possible that changes in the value of investments and investments in charitable gift annuities in the near term would materially affect the amounts reported in the statement of financial position and the statement of activities.

The Institute maintains cash balances in major financial institutions in excess of the federally insured limit by the Federal Deposit Insurance Corporation (FDIC). Historically, the Institute has not experienced any losses and management believes it is not exposed to any significant credit risk.

## Publications Receivable

Publications receivable are uncollateralized customer obligations due under normal trade terms generally requiring payment within 30 days from the invoice date. Follow-up correspondence is made if unpaid publications receivable go beyond 30 days. Payments of publications receivable are applied to the earliest unpaid invoice. The stated balance of publications receivable is based upon the amount management has determined to be reasonably collectible. Bad debts are charged to expense when determined to be uncollectible by management. Bad debt expense was \$51,903 and \$58,478 as of June 30, 2020 and 2019, respectively.

## Contributions

Authoritative guidance requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Institute to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Donor-restricted contributions are reported as operating revenue without donor restriction when the restriction is satisfied within the same year that the contribution is received.

Contributions are reported as an increase in the appropriate net asset category in the year received. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at their net present value. The discount is computed using a credit-adjusted interest rate. Conditional promises to give are not included as support until such time as the conditions are substantially met.

## Inventory

Inventory, which consists primarily of books, is valued at the lower of cost (first-in, first-out) or market.

## Prepaid Expenses

Prepaid expenses include pre-press expenses that are amortized as publications are sold. Amortization expense at June 30, 2020 and 2019 is included within book expenses in the consolidated statements of activities.

## **Intercollegiate Studies Institute, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

### **Land, Buildings, Equipment and Depreciation**

Buildings, office equipment and furniture are recorded at cost. Provisions for depreciation are made over the estimated useful lives of the respective assets (generally five years for equipment and furniture and forty years for buildings) using the straight-line method. Land is recorded at cost.

Upon retirement or disposition of office equipment and furniture, the related cost and accumulated depreciation are removed from the accounts any resulting gain or loss is included in the consolidated statements of activities. The Institute capitalizes all expenditures for property and equipment in excess of \$5,000. Lesser amounts are expensed.

### **Collections**

The Institute holds a collection of rare books valued at \$51,550. The collection is valued at the fair market value at the date of acquisition or date of gift. Fair market value was determined by independent appraisal.

Gains or losses on the deaccession of collection items are classified on the statements of activities as with or without donor restriction depending upon the existence of a donor restriction, if any, placed on the item at the time of accession. There were no deaccessions of the collection recorded in the year ended June 30, 2020 or 2019.

### **Investments**

Investments in equity and debt securities are recorded at fair value in the consolidated statements of financial position. Any unrealized gains and losses on investments are included in the consolidated statements of activities as increases or decreases in net assets without donor restriction, unless their use is with donor restriction or restricted in perpetuity by explicit donor stipulations, in which case unrealized gains or losses will affect net assets with donor restriction. Investment income and gains restricted by donors are reported as increases in net assets with or without donor restriction if the restrictions are met in the reporting period in which the income and gains are recognized.

### **Operating and Nonoperating Classifications**

Revenue, gains and other support and expenses are classified in the consolidated statements of activities as operating and nonoperating. The operating classification includes revenue from contributions, programs, publications and investment income. The nonoperating classification includes realized and unrealized gains and losses on investments and change in value of split-interest agreements.

### **Income Taxes**

Intercollegiate Studies Institute, Inc. and Collegiate Network, Inc. are not-for-profit entities that are exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, have made no provision for federal or state income tax in the accompanying consolidated financial statements. In addition, both organizations have been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the IRC.

The Institute accounts for uncertainties in income taxes in accordance with authoritative guidance, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined there were no tax uncertainties that met the recognition threshold at June 30, 2020 and 2019.

The Institute's policy is to recognize interest related to unrecognized tax benefits and obligations in interest expense and penalties in operating expenses. There were no unrecognized tax benefits recorded during the periods presented in the accompanying consolidated financial statements.

# Intercollegiate Studies Institute, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

## Use of Estimates

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

## Subsequent Events

Subsequent events were evaluated through January 20, 2021, which is the date the consolidated financial statements were available to be issued.

## Reclassification of Prior Year Amounts

Certain reclassifications have been made to the 2019 financial statement presentation to correspond to the current year's format.

## Recent Issued Accounting Standards not yet Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue From Contracts With Customers (Topic 606)*. ASU No. 2014-09 supersedes the revenue recognition requirements in *Topic 605, Revenue Recognition*, and most industry-specific guidance. Under the requirements of ASU No. 2014-09, the core principle is that entities should recognize revenue to depict the transfer of promised goods or services to customers (students) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Institute will be required to retroactively adopt the guidance in ASU No. 2014-09 for the fiscal year 2021. The Institute is currently assessing the impact this standard will have on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU No. 2018-08 is effective for the Institute's fiscal year 2021. The Institute is currently assessing the impact this standard will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. The ASU is effective for fiscal year 2022. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The Institute is assessing the impact this standard will have on its consolidated financial statements.

In March 2019, the FASB issued ASU No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*. The amendments in this Update modify the definition of the term collections and require that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (that is, removed from a collection). The Institute is currently assessing the impact this standard will have on its consolidated financial statements.

## Intercollegiate Studies Institute, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

### 2. Contributions Receivable

As of June 30, 2020 and 2019, contributors to the Institute have made written unconditional promises to give. These contributions receivable are included in the consolidated financial statements at their estimated net realizable value for unconditional promises to give that are expected to be collected or paid in less than one year and at their net present value for promises expected to be collected or paid in one year or more. Based upon payment schedules that are either specified by donors or estimated by the Institute, payments on pledges are due as follows as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Amounts due in less than one year	\$ 1,171,880	\$ 1,541,667
Amounts due between one and five years	<u>1,131,215</u>	<u>1,298,169</u>
Total value of contributions receivable	2,303,095	2,839,836
Less discount on contributions receivable	<u>66,307</u>	<u>103,284</u>
Reported value of contributions receivable	<u>\$ 2,236,788</u>	<u>\$ 2,736,552</u>

No allowance for doubtful contributions receivable as of June 30, 2020 and 2019 was required. Discount rates range from 2.33 percent and 2.72 percent.

### 3. Land, Buildings and Equipment

Land, buildings and equipment consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 768,320	\$ 768,320
Buildings and improvements	4,556,117	4,556,117
Office furniture and equipment	337,814	499,787
Rare books	51,550	51,550
Construction in process	<u>632,315</u>	<u>575,278</u>
	6,346,116	6,451,052
Less accumulated depreciation	<u>2,517,572</u>	<u>2,830,143</u>
Net	<u>\$ 3,828,544</u>	<u>\$ 3,620,909</u>

Included in the above is equipment under capital leases at June 30:

	<u>2020</u>	<u>2019</u>
Office furniture and equipment	\$ 77,427	\$ -
Less accumulated depreciation	<u>7,374</u>	<u>-</u>
Net	<u>\$ 70,053</u>	<u>\$ -</u>

## Intercollegiate Studies Institute, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

### 4. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, otherwise known as the exit price, in an orderly transaction between market participants at the measurement date. The Institute uses the three-tier fair value hierarchy as a basis for its assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Institute has the ability to access at the measurement date.

Level 2 - inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted market prices for identical or similar assets and liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value:

Short-term funds, equity funds, bond funds, other marketable securities and annuity investments are valued at the quoted net asset value of shares held at year-end, which are considered Level 1 inputs.

Corporate bonds are measured at fair value using pricing for similar assets with similar terms in actively traded markets and are considered Level 2 inputs

Charitable remainder trusts are valued based on the Institute's interest in the fair value of the underlying assets, which approximates the present value of the estimated future cash flows to be received from the trusts, which are considered Level 3 inputs.

The following table presents the assets measured at fair value as of June 30, 2020:

	<u>Total Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Short-term funds	\$ 261,529	\$ 261,529	\$ -	\$ -
Equity funds	3,620,885	3,620,885	-	-
Bonds funds	1,346,697	1,346,697	-	-
Other marketable securities	258,755	258,755	-	-
Annuity investments	538,894	538,894	-	-
Total investments	<u>\$ 6,026,760</u>	<u>\$ 6,026,760</u>	<u>\$ -</u>	<u>\$ -</u>
Charitable remainder trusts	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>

## Intercollegiate Studies Institute, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

The following table presents the assets measured at fair value as of June 30, 2019:

	<u>Total Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Short-term funds	\$ 79,988	\$ 79,988	\$ -	\$ -
Equity funds	3,281,759	3,281,759	-	-
Bonds funds	2,072,260	2,072,260	-	-
Other marketable securities	229,547	229,547	-	-
Annuity investments	557,710	557,710	-	-
	<u>\$ 6,221,264</u>	<u>\$ 6,221,264</u>	<u>\$ -</u>	<u>\$ -</u>
Total investments				
	<u>\$ 6,221,264</u>	<u>\$ 6,221,264</u>	<u>\$ -</u>	<u>\$ -</u>
Charitable remainder trusts	<u>\$ 150,912</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,912</u>

### 5. Charitable Remainder Trusts

The Institute is the trustee under a charitable remainder trust. The principal is held in trust and the income is paid to the donors until their deaths. The value of the principal held in trust totaled \$0 and \$130,912 as of June 30, 2020 and 2019, respectively. The relating liability for the charitable remainder trust totaled \$0 and \$8,847 as of June 30, 2020 and 2019, respectively. This liability is included in funds held for others on the consolidated statements of financial position. The Institute is also a beneficiary of a second charitable remainder trust with a value of \$20,000 at both June 30, 2020 and 2019.

In addition to the charitable remainder trust obligation, included in the liability funds held for others are amounts relating to charitable gift annuities established to benefit the Institute totaling \$75,910 and \$116,581 as of June 30, 2020 and 2019, respectively. The charitable gift annuity assets are held in investments and totaled \$538,894 and \$557,710 as of June 30, 2020 and 2019, respectively.

### 6. Demand Note Payable, Bank

For the years ended June 30, 2020 and 2019, the demand note payable drawn against both lines of credit amounted to \$0, respectively, bearing interest at each bank's prime rate (average of 3.14 percent and 4.68 percent as of June 30, 2020 and 2019, respectively). The remaining unused balance of these commitments amounted to \$3,500,000 at June 30, 2020 and 2019. The line of credit has been designated for working capital purposes, is due on demand and is collateralized by the investment assets of the Institute.

### 7. Long-Term Debt

In April 2020, the Institute received loan proceeds in the amount of \$333,577 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business.

The loan was paid in full on October 2, 2020.

Annual maturities of notes payable are as follows:

Years ending June 30:	
2021	<u>\$ 333,577</u>
Total	<u>\$ 333,577</u>

## Intercollegiate Studies Institute, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

### 8. Capital Lease Payable

The Institute has entered into an agreement to lease certain assets, which are accounted for as capital leases. The assets are recorded at the lesser of the fair value of the asset or at the present value of minimum lease payments and included in land, buildings and equipment. Depreciation of assets under capital leases is included in depreciation expense.

Future minimum lease payments under capital leases are as follows for the years ending June 30:

Years ending June 30:		
2021	\$	14,748
2022		14,748
2023		14,748
2024		14,748
2025		11,061
		<hr/>
Total	\$	<u>70,053</u>

### 9. Net Assets

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2020</u>	<u>2019</u>
Capital campaign	\$ 3,450,327	\$ 3,712,100
Publication programs	375,000	500,000
Conferences	-	160,000
Honors	965,500	965,000
Unexpended gains	401,705	495,229
Fellowship and books endowment	2,958,189	2,958,189
	<hr/>	<hr/>
Total	<u>\$ 8,150,721</u>	<u>\$ 8,790,518</u>

### 10. Satisfaction of Restriction

Net assets with donor restrictions were released from restriction by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

	<u>2020</u>	<u>2019</u>
Capital campaign	\$ 57,037	\$ 137,218
Publication programs	500,219	632,370
Conferences	300,000	547,580
Operations	987,107	1,323,212
Unexpended gains	130,000	118,750
Honors	690,904	920,005
	<hr/>	<hr/>
Total	<u>\$ 2,665,267</u>	<u>\$ 3,679,135</u>

## Intercollegiate Studies Institute, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

### 11. Endowment

The Institute's investable assets include an endowment that consists of a donor-restricted fund established for fellowships. As required by authoritative guidance, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Trustees of the Institute has interpreted the state of Delaware's 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 donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as net assets restricted in perpetuity the original value of gifts donated to the endowment and the remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted in perpetuity is classified as net assets with or without donor restriction in accordance with the direction of the donor gift instrument. In accordance with UPMIFA, the Institute 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 Institute 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 Institute;
7. The investment policies of the Institute.

Changes in endowment net assets for the years ended June 30, 2020 and 2019:

	2020		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, July 1, 2019	\$ -	\$ 3,453,417	\$ 3,453,417
Additions	-	-	-
Investment return:			
Investment income	-	72,570	72,570
Net appreciation (realized and unrealized)	-	(36,093)	(36,093)
Total investment return	-	36,477	36,477
Amounts released	-	130,000	130,000
Endowment net assets, June 30, 2020	\$ -	\$ 3,359,894	\$ 3,359,894



## Intercollegiate Studies Institute, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, July 1, 2018	\$ -	\$ 3,381,963	\$ 3,381,963
Additions	-	-	-
Investment return:			
Investment income	-	73,319	73,319
Net appreciation (realized and unrealized)	-	116,885	116,885
Total investment return	-	190,204	190,204
Amounts released	-	118,750	118,750
Endowment net assets, June 30, 2019	\$ -	\$ 3,453,417	\$ 3,453,417

### Funds 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 or UPMIFA requires the Institute to retain as a fund of perpetual duration. There were no such amounts as of June 30, 2020 or 2019.

### 12. Retirement Plan

During the fiscal year 2007, the Institute established a profit sharing plan (the retirement plan). The retirement plan covers all qualified salaried employees who have completed one year of service and are age 21 or older. The Institute contributes amounts annually at its own discretion. Vesting is based upon continuous years of service. Participants are fully vested after three years of service. The Institute contributed \$60,593 and \$75,066 to the retirement plan during the years ended June 30, 2020 and June 30, 2019, respectively.

### 13. Related-Party Transactions

The Institute received contributions from staff and board members, totaling \$167,465 during the year ended June 30, 2020 and \$165,500 during the year ended June 30, 2019.

## Intercollegiate Studies Institute, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

### 14. Liquidity and Availability of Resources

The following reflects the Institute's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,145,802	\$ 4,966,921
Publications receivable, net	75,184	114,533
Contributions receivable	2,236,788	2,736,552
Long-term investments	6,026,760	6,221,264
	<u>14,484,534</u>	<u>14,039,270</u>
Total financial assets		
Less resources unavailable for general expenditure within one year due to contractual or donor restrictions:		
Capital campaign	3,450,327	3,712,100
Publication programs	375,000	500,000
Conferences	-	160,000
Honors program	965,500	965,000
Unexpended gains	401,705	495,229
Other contributions receivable, long-term	51,215	93,169
Principal endowment investments	2,958,189	2,958,189
	<u>2,958,189</u>	<u>2,958,189</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,282,598</u>	<u>\$ 5,155,583</u>

The Institute's practice is to structure its financial assets to be available as its general expenditures, liabilities other obligations come due. In the event of an unanticipated liquidity-need, the Institute could also draw upon \$3,500,000 of available lines of credit. There have been no draws on the lines of credit for the years then ended June 30, 2020 and 2019 (as further discussed in Note 6).

The Institute is substantially supported by contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Institute must maintain sufficient resources to meet those responsibilities to its donors. Thus, certain financial assets may not be available for general expenditure within one year.

### 15. Functional Classification of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Institute. These expenses include depreciation and amortization, salaries and wages, employee benefits, services, supplies, other, occupancy, utilities and maintenance. Depreciation is allocated based on square footage. Costs of other categories were allocated on estimates of time and effort.

## Intercollegiate Studies Institute, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Expenses by functional classification for the years ended June 30, 2020 and 2019 consist of the following:

	2020			
	Program Services	General and Administration	Development	Total Expenses
Salaries and wages	\$ 1,833,868	\$ 344,619	\$ 283,080	\$ 2,461,567
Employee benefits	177,159	33,241	27,305	237,705
Travel and transportation	332,181	10,796	8,868	351,845
Program and academic advances	898,535	6,132	5,037	909,704
Services, supplies and other	999,476	73,778	60,603	1,133,857
Occupancy, utilities and maintenance	403,387	31,129	25,570	460,086
Depreciation	99,008	18,606	15,284	132,898
Total expenses	<u>\$ 4,743,614</u>	<u>\$ 518,301</u>	<u>\$ 425,747</u>	<u>\$ 5,687,662</u>

  

	2019			
	Program Services	General and Administration	Development	Total Expenses
Salaries and wages	\$ 2,007,123	\$ 377,177	\$ 309,824	\$ 2,694,124
Employee benefits	284,968	53,467	43,919	382,354
Travel and transportation	719,993	22,853	18,772	761,618
Program and academic advances	1,033,174	4,768	3,917	1,041,859
Services, supplies and other	1,407,794	152,056	124,821	1,684,671
Occupancy, utilities and maintenance	522,198	37,645	30,923	590,766
Depreciation	174,365	32,767	26,916	234,048
Total expenses	<u>\$ 6,149,615</u>	<u>\$ 680,733</u>	<u>\$ 559,092</u>	<u>\$ 7,389,440</u>

### 16. Contingencies and Commitments

In the normal conduct of business, the Institute can become subject to various claims and litigations. Management is not aware of any such claims or litigations.

### 17. Coronavirus Disease (COVID-19) and Emergency Relief Funding

In January 2020, an outbreak of a new strain of the coronavirus disease, COVID-19, was identified. The World Health Organization declared COVID-19 a public health emergency on March 11, 2020. Currently, no vaccine has been made available to the public. In response, various governmental agencies have mandated stricter procedures to address the health and safety of both employees and patrons including, in certain cases, requiring the closure of operations. In March 2020, following Delaware's COVID-19 state of emergency, the Institute's conferences and events were transitioned to remote operations or postponed to a later date. As a result of the outbreak COVID-19, the Institute's programs remained consistent with an increase in online programming.

Furthermore, the extent of the impact of COVID-19 on the Institute's operational and financial performance will depend on the developments of COVID-19, including the duration and spread of the outbreak, development of a vaccine, impact on customers, employees and vendors, all of which are uncertain and cannot be reasonably predicted at the current time. The Board of Trustees and the Institute's management are monitoring the outbreak and potential financial impact, which are currently uncertain.