Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Financial Statements

June 30, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, 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 Virchow Krause, LLP

Philadelphia, Pennsylvania
January 23, 2020

Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash	$ 4,966,921	$ 4,029,216
Publications receivable, net of $58,478 and $62,242 allowance as of 2019 and 2018, respectively	114,533	67,107
Inventory	199,364	218,316
Contributions receivable, current	1,541,667	1,356,667
Prepaid expenses	68,486	73,713
Total current assets	6,890,971	5,745,019
Other Assets		
Contributions receivable, long-term	1,194,885	1,669,673
Long-term investments	6,221,264	6,033,209
Charitable remainder trusts	150,912	153,955
Land, buildings and equipment, net	3,620,909	3,717,739
Total other assets	11,187,970	11,574,576
Total assets	$ 18,078,941	$ 17,319,595
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 191,493	$ 125,492
Liability for funds held for others	125,428	160,258
Total current liabilities	316,921	285,750
Net Assets		
Without donor restriction	8,971,502	7,187,704
With donor restriction	8,790,518	9,846,141
Total net assets	17,762,020	17,033,845
Total liabilities and net assets	$ 18,078,941	$ 17,319,595

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
Revenue, Gains and Other Support			
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)	-
Total revenue, gains and other support	9,020,782	(1,172,508)	7,848,274
Expenses			
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
Total program expenses	6,149,615	-	6,149,615
Program support services:			
General and administrative	680,733	-	680,733
Development	559,092	-	559,092
Total program support services	1,239,825	-	1,239,825
Total expenses	7,389,440	-	7,389,440
Change in net assets from operating activities	1,631,342	(1,172,508)	458,834
Nonoperating Activities			
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)
Change in net assets from nonoperating activities	152,456	116,885	269,341
Change in net assets	1,783,798	(1,055,623)	728,175
Net Assets, Beginning of Year	7,187,704	9,846,141	17,033,845
Net Assets, End of Year	$ 8,971,502	$ 8,790,518	$ 17,762,020

See notes to consolidated financial statements

Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended June 30, 2018

	Without Donor Restriction	With Donor Restriction	Total
Revenue, Gains and Other Support			
Contributions	$ 4,409,275	$ 2,475,752	$ 6,885,027
Programs	152,709	-	152,709
Publication sales	633,916	-	633,916
Investment income	73,274	62,465	135,739
Rental income	8,213	-	8,213
Satisfaction of program restrictions	3,267,280	(3,267,280)	-
Total revenue, gains and other support	8,544,667	(729,063)	7,815,604
Expenses			
Program:			
Publications	657,668	-	657,668
National student journalism	1,352,352	-	1,352,352
Lectures and debates	65,219	-	65,219
Honors fellows and fellowships	812,672	-	812,672
Membership services	737,588	-	737,588
Faculty development	157,600	-	157,600
Books	838,669	-	838,669
Liberty fund	403,506	-	403,506
Conferences	915,586	-	915,586
Total program expenses	5,940,860	-	5,940,860
Program support services:			
General and administrative	701,024	-	701,024
Development	575,759	-	575,759
Total program support services	1,276,783	-	1,276,783
Total expenses	7,217,643	-	7,217,643
Change in net assets from operating activities	1,327,024	(729,063)	597,961
Nonoperating Activities			
Net Assets Transfer	(888,645)	888,645	-
Net realized gains on investments	49,524	6,258	55,782
Net unrealized gains on investments	96,597	124,677	221,274
Change in value of split-interest agreements	13,275	-	13,275
Change in net assets from nonoperating activities	(729,249)	1,019,580	290,331
Change in net assets	597,775	290,517	888,292
Net Assets, Beginning of Year	6,589,929	9,555,624	16,145,553
Net Assets, End of Year	$ 7,187,704	$ 9,846,141	$ 17,033,845

See notes to consolidated financial statements

Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities		
Change in net assets	$ 728,175	$ 888,292
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	234,048	232,488
Bad debt expense	3,764	17,437
Unrealized gains on investments	(175,301)	(221,274)
Realized gains on investments	(94,149)	(55,782)
Change in value of split-interest agreements	109	(13,275)
Contributions restricted for long-term purposes	-	(175,000)
Changes in assets and liabilities:		
Contributions receivable	289,788	1,160,001
Prepaid expenses	5,227	(13,130)
Publications receivable	(51,190)	182,141
Inventory	18,952	(2,250)
Charitable remainder trusts	3,043	(5,696)
Accounts payable	66,001	(119,996)
Liability for funds held for others	(34,830)	9,960
Net cash provided by operating activities	993,637	1,883,916
Cash Flows From Investing Activities		
Purchases of property and equipment	(137,218)	(204,363)
Purchases of investments	(175,358)	(296,560)
Proceeds from sale of long term investments	256,644	-
Net cash (used in) investing activities	(55,932)	(500,923)
Cash Flows From Financing Activities		
Contributions restricted for long-term purposes	-	175,000
Net payments on capital lease payable	-	(5,758)
Net cash provided by financing activities	-	169,242
Net increase in cash	937,705	1,552,235
Cash, Beginning	4,029,216	2,476,981
Cash, Ending	$ 4,966,921	$ 4,029,216

See notes to consolidated financial statements

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 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 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, 2019 and 2018 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.

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 $3,764 and $17,437 as of June 30, 2019 and 2018, 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 and prepaid royalties that are amortized as publications are sold. Amortization expense at June 30, 2019 and 2018 is included within book expenses in the consolidated statements of activities.

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, 2019 or 2018.

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, 2019 and 2018.

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.

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 23, 2020, 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 2018 financial statement presentation to correspond to the current year's format.

Accounting Standards Adopted in the Current Year

In 2019, the Institute adopted the Financial Accounting Standard Board's (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. The Institute has adjusted the presentation of these financial statements accordingly. ASU No. 2016-14 has been applied retrospectively to all periods presented, except for the disclosures around liquidity and availability of resources and analysis of expenses by nature and function. These disclosures have been presented for 2019 only, as allowed by ASU No. 2016-14.

The new standard changes the following aspects of the financial statements:

- The unrestricted net assets class has been renamed Net Assets Without Donor Restrictions;
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called Net Assets With Donor Restrictions;
- The financial statements include a disclosure about liquidity and availability of resources at June 30, 2019 (Note 12).
- The functional expense disclosure for the year then ended June 30, 2019 includes expenses reported both by nature and function (Note 13).
- Investment expenses are included in net investment income

Investment expenses of $7,277 were reclassed to investment return which resulted in a decrease in allocated expenses over all expense classifications and a decrease in investment income.

Recent Issued Accounting Standards not yet Adopted

In May 2014, the FASB issued 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 2020. 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 2020. 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.

2. Contributions Receivable

As of June 30, 2019 and 2018, 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, 2019 and 2018:

	2019	2018
Amounts due in less than one year	$ 1,541,667	$ 1,356,667
Amounts due between one and five years	1,298,169	1,748,108
Total value of contributions receivable	2,839,836	3,104,775
Less discount on contributions receivable	103,284	78,435
Reported value of contributions receivable	$ 2,736,552	$ 3,026,340

No allowance for doubtful contributions receivable as of June 30, 2019 and 2018 was required. Discount rates range from 1.38 percent and 1.89 percent.

3. Land, Buildings and Equipment

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

	2019	2018
Land	$ 768,320	$ 768,320
Buildings and improvements	4,556,117	4,556,117
Office furniture and equipment	499,787	499,787
Rare books	51,550	51,550
Construction in process	575,278	438,060
Less accumulated depreciation	2,830,143	2,596,095
Net	$ 3,620,909	$ 3,717,739

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, 2019:

	Total Fair Value	Level 1	Level 2	Level 3
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	-	-
Total investments	$ 6,221,264	$ 6,221,264	$ -	$ -
Charitable remainder trusts	$ 150,912	$ -	$ -	$ 150,912

The following table presents the assets measured at fair value as of June 30, 2018:

	Total Fair Value	Level 1	Level 2	Level 3
Short-term funds	$ 133,345	$ 133,345	$ -	$ -
Corporate bonds	109,000	-	109,000	-
Equity funds	3,283,042	3,283,042	-	-
Bonds funds	1,709,544	1,709,544	-	-
Other marketable securities	229,086	229,086	-	-
Annuity investments	569,192	569,192	-	-
Total investments	$ 6,033,209	$ 5,924,209	$ 109,000	$ -
Charitable remainder trusts	$ 153,955	$ -	$ -	$ 153,955

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 $130,912 and $133,955 as of June 30, 2019 and 2018, respectively. The relating liability for the charitable remainder trust totaled $8,847 and $11,402 as of June 30, 2019 and 2018, 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, 2019 and 2018.

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 $116,581 and $148,856 as of June 30, 2019 and 2018, respectively. The charitable gift annuity assets are held in investments and totaled $557,710 and $569,192 as of June 30, 2019 and 2018, respectively.

6. Demand Note Payable, Bank

For the years ended June 30, 2019 and 2018, the demand note payable drawn against both lines of credit amounted to $0, respectively, bearing interest at each bank's prime rate (average of 4.68 percent and 4.66 percent as of June 30, 2019 and 2018, respectively). The remaining unused balance of these commitments amounted to $3,500,000 at June 30, 2019 and 2018. 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. Net Assets

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

	2019	2018
Capital campaign	$ 3,712,100	$ 5,236,940
Publication programs	500,000	625,000
Conferences	160,000	320,000
Operations	-	282,238
Memberships	-	-
Honors	965,000	-
Unexpended gains	495,229	423,774
Fellowship and books endowment	2,958,189	2,958,189
Total	$ 8,790,518	$ 9,846,141

8. 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 $75,066 and $78,834 to the retirement plan during the years ended June 30, 2019 and June 30, 2018, respectively.

9. 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, 2019 and 2018:

	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

	Without Donor Restriction	With Donor Restriction	Total
Endowment and similar net assets, July 1, 2017	$ -	$ 2,420,918	$ 2,420,918
Additions	-	888,645	888,645
Investment return:			
Investment income	-	62,465	62,465
Net appreciation (realized and unrealized)	-	130,935	130,935
Total investment return	-	193,400	193,400
Amounts released	-	(121,000)	(121,000)
Endowment net assets, June 30, 2018	$ -	$ 3,381,963	$ 3,381,963

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, 2019 or 2018.

Net Asset Transfer

During the year ended June 30, 2018, the Institute transferred $888,645 of funds without donor restriction to its permanent endowment to satisfy an internal obligation from the year ended June 30, 2013. This transfer is reflected as a nonoperating net assets transfer on the consolidated statements of activities for the year ended June 30, 2018.

10. Related Party Transactions

The Institute received contributions from staff and board members, totaling $165,500 during the year ended June 30, 2019 and $1,287,031 during the year ended June 30, 2018.

11. 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.

12. 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.

	2019
Cash and cash equivalents	$ 4,966,921
Publications receivable, net	114,533
Contributions receivable	2,736,552
Long-term investments	6,221,264
Total financial assets	14,039,270
Less resources unavailable for general expenditure within one year due to contractual or donor restrictions:	
Capital campaign	(3,712,100)
Publication programs	(500,000)
Conferences	(160,000)
Honors program	(965,000)
Unexpended gains	(495,229)
Other contributions receivable, long-term	(93,169)
Principal endowment investments	(2,958,189)
Financial assets available to meet cash needs for general expenditures within one year	$ 5,155,583

As of June 30, 2019, the Institute has liquid assets on hand to cover 255 days of operating expenses. 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 year then ended June 30, 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, financial assets may not be available for general expenditure within one year.

13. 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.

Expenses by functional classification for the year ended June 30, 2019 consist of the following:

	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	522,197	37,645	30,923	590,765
Depreciation	174,366	32,767	26,916	234,049
Total expenses	$ 6,149,615	$ 680,733	$ 559,092	$ 7,389,440