Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Financial Statements

June 30, 2021 and 2020

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Intercollegiate Studies Institute, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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 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 auditor's 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 Intercollegiate Studies Institute, Inc. and Subsidiary as of June 30, 2021 and 2020, 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
October 18, 2021

Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash	$ 6,519,744	$ 6,145,802
Publications receivable, net of $57,382 and $51,903 allowance as of 2021 and 2020, respectively	114,308	75,184
Inventory	216,829	238,864
Contributions receivable, current	447,178	1,171,880
Prepaid expenses	42,246	3,200
Total current assets	7,340,305	7,634,930
Other Assets		
Contributions receivable, long-term	996,401	1,064,908
Investments	8,223,601	6,026,760
Charitable remainder trust	20,000	20,000
Land, buildings and equipment, net	3,944,116	3,828,544
Total other assets	13,184,118	10,940,212
Total assets	$ 20,524,423	$ 18,575,142
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 385,616	$ 174,933
Current maturities of capital lease payable	14,748	14,748
Current portion of long-term debt	-	333,577
Liability for funds held for others	33,844	75,910
Total current liabilities	434,208	599,168
Long-Term Liabilities		
Capital lease payable, net of current maturities	40,557	55,305
Total liabilities	474,765	654,473
Net Assets		
Without donor restrictions	11,520,277	9,769,948
With donor restrictions	8,529,381	8,150,721
Total net assets	20,049,658	17,920,669
Total liabilities and net assets	$ 20,524,423	$ 18,575,142

See notes to consolidated financial statements

Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support			
Contributions	$ 2,535,745	$ 3,274,086	$ 5,809,831
Programs	191,966	-	191,966
Publication sales	589,111	-	589,111
Investment income	74,792	59,904	134,696
Rental income	108,955	-	108,955
Satisfaction of program restrictions	3,685,103	(3,685,103)	-
Total revenue, gains and other support	7,185,672	(351,113)	6,834,559
Expenses			
Program:			
Publications	620,715	-	620,715
National student journalism	1,192,141	-	1,192,141
Lectures and debates	170,998	-	170,998
Honors fellows and fellowships	711,148	-	711,148
Membership services	585,795	-	585,795
Faculty development	98,533	-	98,533
Books	959,414	-	959,414
Liberty fund	219,542	-	219,542
Conferences	720,991	-	720,991
Total program expenses	5,279,277	-	5,279,277
Program support services:			
General and administrative	569,397	-	569,397
Development	467,719	-	467,719
Total program support services	1,037,116	-	1,037,116
Total expenses	6,316,393	-	6,316,393
Change in net assets from operating activities	869,279	(351,113)	518,166
Nonoperating Activities			
Net realized gains on investments	195,580	168,598	364,178
Net unrealized gains on investments	616,044	561,175	1,177,219
Change in value of split-interest agreements	69,426	-	69,426
Change in net assets from nonoperating activities	881,050	729,773	1,610,823
Change in net assets	1,750,329	378,660	2,128,989
Net Assets, Beginning	9,769,948	8,150,721	17,920,669
Net Assets, Ending	$ 11,520,277	$ 8,529,381	$ 20,049,658

See notes to consolidated financial statements

Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support			
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)	-
Total revenue, gains and other support	6,524,661	(603,704)	5,920,957
Expenses			
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
Total program expenses	4,743,614	-	4,743,614
Program support services:			
General and administrative	518,301	-	518,301
Development	425,747	-	425,747
Total program support services	944,048	-	944,048
Total expenses	5,687,662	-	5,687,662
Change in net assets from operating activities	836,999	(603,704)	233,295
Nonoperating Activities			
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)
Change in net assets from nonoperating activities	(38,553)	(36,093)	(74,646)
Change in net assets	798,446	(639,797)	158,649
Net Assets, Beginning	8,971,502	8,790,518	17,762,020
Net Assets, Ending	$ 9,769,948	$ 8,150,721	$ 17,920,669

See notes to consolidated financial statements

Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Change in net assets	$ 2,128,989	$ 158,649
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	140,039	132,898
Bad debt expense	57,382	51,903
Unrealized (gains) losses on investments	(1,177,219)	150,744
Realized gains on investments	(364,178)	(93,069)
Change in value of split-interest agreements	(69,426)	16,971
Changes in assets and liabilities:		
Publications receivable	(96,506)	(12,554)
Inventory	22,035	(39,500)
Contributions receivable	793,209	499,764
Prepaid expenses	(39,046)	65,286
Charitable remainder trusts	-	130,912
Accounts payable	210,683	(16,560)
Liability for funds held for others	(42,066)	(49,518)
Net cash provided by operating activities	1,563,896	995,926
Cash Flows From Investing Activities		
Purchases of property and equipment	(255,611)	(263,106)
Purchases of investments	(628,084)	(302,066)
Proceeds from sale of long-term investments	42,066	421,924
Net cash used in investing activities	(841,629)	(143,248)
Cash Flows From Financing Activities		
Proceeds from issuance of long-term debt	-	333,577
Principal payments on long-term debt	(333,577)	-
Net payments on capital lease payable	(14,748)	(7,374)
Net cash (used in) provided by financing activities	(348,325)	326,203
Net increase in cash	373,942	1,178,881
Cash, Beginning	6,145,802	4,966,921
Cash, Ending	$ 6,519,744	$ 6,145,802
Supplemental Disclosures of Cash Flow Information		
Assets acquired from capital lease	$ -	$ 77,427

See notes to consolidated financial statements

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

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 consolidated statement of financial position; reports the change in net assets in a consolidated statement of activities and reports the sources and uses of cash in a consolidated 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 donor restrictions, net assets for specific use in a future period. As of June 30, 2021 and 2020, 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 restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities and as satisfaction of program 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 consolidated statement of financial position and the consolidated 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 $57,382 and $51,903 as of June 30, 2021 and 2020, respectively.

Contributions Receivable

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 restrictions 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, 2021 and 2020 is included within book expenses in the consolidated statements of activities.

Land, Buildings, Equipment and Depreciation

Buildings, 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 40 years for buildings) using the straight-line method. Land is recorded at cost.

Upon retirement or disposition of 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 an independent appraisal.

Gains or losses on the deaccession of collection items are classified on the consolidated statements of activities as with or without donor restrictions 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 years ended June 30, 2021 or 2020.

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 restrictions, 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 restrictions. Investment income and gains restricted by donors are reported as increases in net assets with or without donor restrictions 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, 2021 and 2020.

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 U.S. GAAP 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 October 18, 2021, which is the date the consolidated financial statements were available to be issued.

Accounting Standards Adopted in Current Year

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue From Contracts With Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Institute adopted this guidance during the year ended June 30, 2021 utilizing the modified retrospective method, and the adoption of this guidance did not have a material impact on the Institute's business practices, financial condition or changes in net assets during the fiscal year ended June 30, 2021. The adoption did not have any impact on the Institute's 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. The Institution adopted the new standard effective July 1, 2020. The adoption did not have any impact on the Institute's consolidated financial statements.

In March 2019, the FASB issued ASU 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). If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care. The Institution adopted the new standard effective July 1, 2020. The adoption did not have any impact on the Institute's consolidated financial statements.

Recent Issued Accounting Standards not yet Adopted

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 2023. 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.

During September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. ASU No. 2020-07 is effective for the Institute in fiscal 2023 and is to be applied on a retrospective basis. The Institute is currently assessing the effect that ASU No. 2020-07 will have on its consolidated financial statements.

2. Contributions Receivable

As of June 30, 2021 and 2020, 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, 2021 and 2020:

	2021	2020
Amounts due in less than one year	$ 447,178	$ 1,171,880
Amounts due between one and five years	1,059,918	1,131,215
Total value of contributions receivable	1,507,096	2,303,095
Less discount on contributions receivable	63,517	66,307
Reported value of contributions receivable	$ 1,443,579	$ 2,236,788

No allowance for doubtful contributions receivable as of June 30, 2021 and 2020 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:

	2021	2020
Land	$ 768,320	$ 768,320
Buildings and improvements	4,556,117	4,556,117
Office furniture and equipment	337,814	337,814
Rare books	51,550	51,550
Construction in process	887,926	632,315
	6,601,727	6,346,116
Less accumulated depreciation	2,657,611	2,517,572
Net	$ 3,944,116	$ 3,828,544

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

	2021	2020
Office furniture and equipment	$ 77,427	$ 77,427
Less accumulated depreciation	22,122	7,374
Net	$ 55,305	$ 70,053

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 and 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.

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, 2021:

	Total Fair Value	Level 1	Level 2	Level 3
Short-term funds	$ 55,278	$ 55,278	$ -	$ -
Equity funds	6,236,397	6,236,397	-	-
Bonds funds	1,333,791	1,333,791	-	-
Annuity investments	598,135	598,135	-	-
Total investments	$ 8,223,601	$ 8,223,601	$ -	$ -
Charitable remainder trust	$ 20,000	$ -	$ -	$ 20,000

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

	Total Fair Value	Level 1	Level 2	Level 3
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	$ 6,026,760	$ 6,026,760	$ -	$ -
Charitable remainder trust	$ 20,000	$ -	$ -	$ 20,000

5. Charitable Remainder Trust

The Institute is a beneficiary of a charitable remainder trust with a value of $20,000 at both June 30, 2021 and 2020.

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 $33,844 and $75,910 as of June 30, 2021 and 2020, respectively. The charitable gift annuities' assets are held in investments and totaled $598,134 and $538,894 as of June 30, 2021 and 2020, respectively.

6. Demand Note Payable, Bank

For the years ended June 30, 2021 and 2020, the demand note payable drawn against both lines of credit amounted to $0, respectively, bearing interest at each bank's prime rate (average of 2.32 percent and 3.14 percent as of June 30, 2021 and 2020, respectively). The remaining unused balance of these commitments amounted to $3,500,000 at June 30, 2021 and 2020. The lines of credit have been designated for working capital purposes, are due on demand and are 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.

8. Capital Lease Payable

The Institute has entered into an agreement to lease certain assets, which is accounted for as a capital lease. 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.

The following is a schedule of future minimum lease payments under this lease, together with the present value of the net minimum lease payments as of June 30, 2021:

Years ending June 30:	
2022	$ 14,748
2023	14,748
2024	14,748
2025	16,197
Total minimum lease payments	60,441
Less amount representing interest	5,136
Present value of net minimum lease payments	$ 55,305

9. Net Assets

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

	2021	2020
Capital campaign	$ 3,248,799	$ 3,450,327
Publication programs	-	375,000
Honors program	631,012	965,500
Unexpended gains	1,191,381	401,705
Fellowship and books endowment	3,458,189	2,958,189
Total	$ 8,529,381	$ 8,150,721

10. Satisfaction of Program Restrictions

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

	2021	2020
Capital campaign	$ 253,527	$ 57,037
Publication programs	375,000	500,219
Conferences	311,000	300,000
Operations	2,034,086	987,107
Unexpended gains	-	130,000
Honors program	711,490	690,904
Total	$ 3,685,103	$ 2,665,267

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 restrictions 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, 2021 and 2020:

	2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets, July 1, 2020	$ -	$ 3,359,894	$ 3,359,894
Additions	-	500,000	500,000
Investment return:			
Investment income	-	59,904	59,904
Net appreciation (realized and unrealized)	-	729,772	729,772
Total investment return	-	789,676	789,676
Amounts released	-	-	-
Endowment net assets, June 30, 2021	$ -	$ 4,649,570	$ 4,649,570

	2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets, July 1, 2019	$ -	$ 3,453,417	$ 3,453,417
Additions	-	-	-
Investment return:			
Investment income	-	72,570	72,570
Net depreciation (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

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, 2021 or 2020.

12. Retirement Plan

The Institute sponsors a 403(b) defined contribution retirement plan covering substantially all employees. The plan allows eligible employees to defer compensation on a pre-tax basis. Also, the Institute makes matching contributions for eligible employees who elect to participate.

Eligible employees of the Institute have established individual accounts with a qualified plan custodian and are 100 percent vested in their contributions. The Institute will make a matching contribution on their employee's behalf in an amount equal to 100 percent of their contributions that are not in excess of 3 percent, plus 50 percent of the amount of contributions that exceed 3 percent of compensation but that do not exceed 5 percent of compensation. The amount of expenses recognized from employer contributions to the 403(b) accounts for the years ended June 30, 2021 and 2020 were $70,283 and $60,593, respectively.

13. Related-Party Transactions

The Institute received contributions from staff and Board members, totaling $1,081,453 during the year ended June 30, 2021 and $1,057,465 during the year ended June 30, 2020.

14. Liquidity and Availability of Resources

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

	2021	2020
Cash and cash equivalents	$ 6,519,744	$ 6,145,802
Publications receivable, net	114,308	75,184
Contributions receivable	1,443,579	2,236,788
Investments	8,223,601	6,026,760
Total financial assets	16,301,232	14,484,534
Less resources unavailable for general expenditure within one year due to contractual or donor restrictions:		
Capital campaign	3,248,799	3,450,327
Publication programs	-	375,000
Honors program	631,012	965,500
Unexpended gains	1,191,381	401,705
Other contributions receivable, long-term	19,918	51,215
Principal endowment investments	3,458,189	2,958,189
Financial assets available to meet cash needs for general expenditures within one year	$ 7,751,933	$ 6,282,598

The Institute's practice is to structure its financial assets to be available as its general expenditures, liabilities and 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, 2021 and 2020 (as further discussed in Note 6).

The Institute is substantially supported by contributions. Because a donor's restrictions require 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 consolidated 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 years ended June 30, 2021 and 2020 consist of the following:

	2021			
	Program Services	General and Administration	Development	Total Expenses
Salaries and wages	$ 1,774,378	$ 333,441	$ 273,897	$ 2,381,716
Employee benefits	270,286	50,972	41,870	363,128
Travel and transportation	393,004	17,755	14,584	425,343
Program and academic advances	857,575	3,127	2,568	863,270
Services, supplies and other	1,329,383	96,737	79,463	1,505,583
Occupancy, utilities and maintenance	550,322	47,760	39,232	637,314
Depreciation	104,329	19,605	16,105	140,039
Total expenses	$ 5,279,277	$ 569,397	$ 467,719	$ 6,316,393

	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	$ 4,743,614	$ 518,301	$ 425,747	$ 5,687,662

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.