Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Financial Statements

June 30, 2017 and 2016

BAKER TILLY

Candor. Insight. Results.

Independent Auditors' Report

Board of Trustees
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 statement of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 the Intercollegiate Studies Institute, Inc. and Subsidiary as of June 30, 2017 and 2016, 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
March 16, 2018

Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Statement of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash	$ 2,476,981	$ 1,502,967
Publications receivable, net of $79,679 and $0 allowance as of 2017 and 2016, respectively	266,684	75,667
Inventory	216,066	231,690
Contributions receivable, current	2,800,000	437,960
Prepaid expenses	60,583	131,002
Total current assets	5,820,314	2,379,286
Other Assets		
Contributions receivable, long-term	1,386,341	42,000
Long-term investments	5,446,319	4,732,154
Charitable remainder trusts	148,259	138,036
Land, buildings and equipment, net	3,745,864	3,734,617
Total other assets	10,726,783	8,646,807
Total assets	$ 16,547,097	$ 11,026,093
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 245,488	$ 293,928
Current maturities of capital lease payable	5,758	15,067
Deferred rent revenue	-	26,600
Liability for funds held for others	150,298	143,991
Total current liabilities	401,544	479,586
Long-Term Liabilities		
Capital lease payable, net of current maturities	-	5,757
Total liabilities	401,544	485,343
Net Assets		
Unrestricted	6,589,929	6,363,689
Temporarily restricted	7,486,080	2,107,517
Permanently restricted	2,069,544	2,069,544
Total net assets	16,145,553	10,540,750
Total liabilities and net assets	$ 16,547,097	$ 11,026,093

See notes to consolidated financial statements

Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Other Support				
Contributions	$ 4,295,611	$ 6,977,471		$ 11,273,082
Programs	283,012			283,012
Publication sales	725,726			725,726
Investment income	69,668	60,504		130,172
Corporate rent	98,142			98,142
Satisfaction of program restrictions	1,809,285	(1,809,285)		-
Total revenue, gains and other support	7,281,444	5,228,690	-	12,510,134
Expenses				
Program:				
Publications	650,593			650,593
National student journalism	1,315,242			1,315,242
Lectures and debates	69,573			69,573
Honors fellows and fellowships	785,562			785,562
Membership services	694,872			694,872
Faculty development	137,023			137,023
Books	970,154			970,154
Liberty fund	442,013			442,013
Conferences	934,704			934,704
Total program expenses	5,999,736	-	-	5,999,736
Program support services:				
General and administrative	709,470			709,470
Development	567,576			567,576
Total program support services	1,277,046	-	-	1,277,046
Total expenses	7,276,782	-	-	7,276,782
Change in net assets from operating activities	4,662	5,228,690	-	5,233,352
Non-Operating Activities				
Net realized gains on investments	2,310			2,310
Net unrealized gains on investments	177,183	149,873		327,056
Change in value of split-interest agreements	42,085			42,085
Change in net assets from Non-operating activities	221,578	149,873	-	371,451
Change in net assets	226,240	5,378,563	-	5,604,803
Net Assets, Beginning of Year	6,363,689	2,107,517	2,069,544	10,540,750
Net Assets, End of Year	$ 6,589,929	$ 7,486,080	$ 2,069,544	$ 16,145,553

See notes to consolidated financial statements

Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Other Support				
Contributions	$ 5,868,516	$ 1,129,845	$ 1,069,544	$ 8,067,905
Programs	312,201	-	-	312,201
Publication sales	518,772	-	-	518,772
Investment income	75,068	53,961	-	129,029
Corporate rent	53,200	-	-	53,200
Satisfaction of program restrictions	1,799,454	(1,799,454)	-	-
Total revenue, gains and other support	8,627,211	(615,648)	1,069,544	9,081,107
Expenses				
Program:				
Publications	638,485	-	-	638,485
National student journalism	1,406,325	-	-	1,406,325
Lectures and debates	75,086	-	-	75,086
Honors fellows and fellowships	822,112	-	-	822,112
Membership services	708,840	-	-	708,840
Faculty development	140,417	-	-	140,417
Books	979,184	-	-	979,184
Liberty fund	417,189	-	-	417,189
Conferences	1,133,168	-	-	1,133,168
Total program expenses	6,320,806	-	-	6,320,806
Program support services:				
General and administrative	752,255	-	-	752,255
Development	601,804	-	-	601,804
Total program support services	1,354,059	-	-	1,354,059
Total expenses	7,674,865	-	-	7,674,865
Change in net assets from operating activities	952,346	(615,648)	1,069,544	1,406,242
Non-Operating Activities				
Net realized gains/(loss) on investments	176,824	(2,893)	-	173,931
Net unrealized (losses)/gains on investments	(67,558)	89,929	-	22,371
Change in value of split-interest agreements	10,203	-	-	10,203
Change in net assets from Non-operating activities	119,469	87,036	-	206,505
Change in net assets	1,071,815	(528,612)	1,069,544	1,612,747
Net Assets, Beginning of Year	5,291,874	2,636,129	1,000,000	8,928,003
Net Assets, End of Year	$ 6,363,689	$ 2,107,517	$ 2,069,544	$ 10,540,750

See notes to consolidated financial statements

Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Statement of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	$ 5,604,803	$ 1,612,747
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	232,488	232,488
In-kind donation of equipment	(51,550)	
Bad Debt Expense	79,679	-
Unrealized (gains) losses on investments	(327,056)	(22,371)
Realized gains on investments	(2,310)	(173,931)
Change in value of split-interest agreements	(42,085)	(10,203)
Contributions restricted for long-term purposes	(1,390,000)	(1,569,544)
Changes in assets and liabilities:		
Contributions receivable	(3,706,381)	716,620
Prepaid expenses	70,419	(13,997)
Publications receivable	(270,696)	2,060
Inventory	15,624	58,665
Charitable remainder trusts	(10,223)	11,657
Accounts payable	(48,440)	55,067
Deferred rent revenue	(26,600)	26,600
Liability for funds held for others	6,307	71,982
Net cash provided by operating activities	133,979	997,840
Cash Flows from Investing Activities		
Purchases of property and equipment	(192,185)	(109,860)
Purchases of investments	(342,713)	(702,738)
Net cash (used in) investing activities	(534,898)	(812,598)
Cash Flows from Financing Activities		
Contributions restricted for long-term purposes	1,390,000	1,569,544
Payments on demand note payable, bank	-	(1,774,776)
Net payments on capital lease payable	(15,067)	(16,443)
Net cash provided by (used in) financing activities	1,374,933	(221,675)
Net increase (decrease) in cash	974,014	(36,433)
Cash, Beginning	1,502,967	1,539,400
Cash, Ending	$ 2,476,981	$ 1,502,967
Supplementary Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ -	$ 18,355

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 college 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 college 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

In accordance with generally accepted accounting principles, the Institute is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that will be met either by actions of the Institute and/or the passage of time.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that are maintained permanently by the Institute. Generally, the donors of these assets permit the Institute to use all or part of the income earned on related investments for general or specific purposes, subject to limitations specified by State of Delaware law.

Basis of Accounting

The accompanying financial statements include all of the net assets that are administered by the Institute and come under the control of the Board of Trustees. The statements are presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

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, market, and credit. 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 $79,679 and $0 as of June 30, 2017 and 2016, 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 unrestricted operating revenue 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, 2017 and 2016 is included within book expenses in the consolidated statement 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, and any resulting gain or loss is included in the consolidated statement of activities. The Institute capitalizes all expenditures for property and equipment in excess of $5,000. Lesser amounts are expensed

Collections

In 2017, the Institute received 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 unrestricted or temporarily restricted support depending on 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, 2017.

Investments

Investments in equity and debt securities are recorded at fair value in the consolidated statement of financial position. Any unrealized gains and losses on investments are included in the consolidated statement of activities as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations, in which case unrealized gains or losses will affect temporarily restricted net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

Operating and Non-Operating Classifications

Revenue, gains, and other support and expenses are classified in the consolidated statement of activities as operating and non-operating. The operating classification includes revenue from contributions, programs, publications and investment income. The non-operating 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 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 Internal Revenue Code.

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, 2017 and 2016.

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 March 16, 2018, which is the date the consolidated financial statements were available to be issued.

Reclassification of Prior Year Amounts

Certain amounts from the prior year have been reclassified to conform to the current year presentation and did not affect changes in net assets or total net assets.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 supersedes the revenue recognition requirements in *Topic 605, Revenue Recognition,* and most industry-specific guidance. Under the requirements of ASU 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 2014-09 for the fiscal year beginning July 1, 2019. The Institute has not yet determined the impact of adoption of ASU 2014-09 on its consolidated financial statements.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. This ASU was issued to address the diversity in practice relating to how certain investments measured at net asset value are categorized in the fair value hierarchy. The amendments in this update remove the requirement to categorize, within the fair value hierarchy, all investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. ASU 2015-07 is effective for the Institute's fiscal year beginning July 1, 2017; early adoption is permitted. The guidance is retrospective, and management does not anticipate that the adoption of ASU 2015-07 will have a significant impact on the Institute's consolidated financial position or results of operations.

In January 2016, FASB issued ASU No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* This new guidance is intended to improve the recognition and measurement of financial instruments and eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for institutions that are not public business entities. For non-public business entities, ASU 2016-01 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted for fiscal years beginning after December 15, 2017. However, the new guidance permits entities that are not public business entities to adopt upon issuance the provision that eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost. The Institute elected to adopt this provision in fiscal 2016. ASU 2016-01 is to be applied by means of a cumulative-effect adjustment to the statement of financial position as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption of ASU 2016-01. The Institute is assessing the impact the remainder of this standard will have on its financial statements.

In February 2016, 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. For public business entities, including not-for-profit organizations that have issued, or are a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2019. Early application is permitted for all entities. 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 financial statements.

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Institute is assessing the impact this standard will have on its financial statements.

2. Contributions Receivable

As of June 30, 2017 and 2016, 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, 2017 and 2016:

	2017	2016
Amounts due in less than one year	$ 2,800,000	$ 437,960
Amounts due between one and five years	1,429,967	42,000
Amounts due after five years	-	-
Total value of contributions receivable	4,229,967	479,960
Less discount on contributions receivable	43,626	-
Reported value of contributions receivable	$ 4,186,341	$ 479,960

No allowance for doubtful contributions receivable as of June 30, 2017 and 2016 was required. Discount rates range from 1.38% to 1.89%.

As of June 30, 2017, the Institute received a conditional promises to give with a balance of $125,000. This conditional promise to give will not be recognized as an asset or revenue until the conditions are substantially met.

3. Land, Buildings and Equipment

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

	2017	2016
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	-
Construction in process	233,697	41,512
Less accumulated depreciation	2,363,607	2,131,119
Net	$ 3,745,864	$ 3,734,617

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

	2017	2016
Equipment	$ 75,085	$ 75,085
Accumulated depreciation	69,328	54,261
Net	$ 5,757	$ 20,824

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, corporate stocks, mutual funds, exchange traded funds, annuity investments, and other marketable securities 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, 2017:

	Total Fair Value	Level 1	Level 2	Level 3
Short-term funds	$ 182,781	$ 182,781	$ -	$ -
Corporate bonds	103,000	-	103,000	-
Mutual funds	861,886	861,886		
Exchange traded funds	669,932	669,932		
Large cap stocks	2,044,086	2,044,086	-	-
Small cap stocks	462,463	462,463	-	-
International stocks	482,210	482,210	-	-
Other marketable securities	133,624	133,624	-	-
Annuity investments	506,337	506,337	-	-
Total investments	5,446,319	5,343,319	103,000	-
Charitable remainder trusts	148,259	-	-	148,259

The following table presents the assets measured at fair value as of June 30, 2016:

	Total Fair Value	Level 1	Level 2	Level 3
Short-term funds	$ 376,746	$ 376,746	$ -	$ -
Mutual funds	724,372	724,372	-	-
Exchange traded funds	591,808	591,808		
Large cap stocks	1,756,919	1,756,919	-	-
Small cap stocks	391,921	391,921	-	-
International stocks	417,061	417,061	-	-
Other marketable securities	36,725	36,725	-	-
Annuity investments	436,602	436,602	-	-
Total investments	4,732,154	4,724,348	-	-
Charitable remainder trusts	138,036	-	-	138,036

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 $128,259 and $118,036 as of June 30, 2017 and 2016, respectively. The relating liability for the charitable remainder trust totaled $16,511 and $23,112 as of June 30, 2017 and 2016, respectively. This liability is included in funds held for others on the consolidated statement 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, 2017 and 2016.

In addition to the charitable remainder trust obligation that is included in the liability funds held for others are amounts relating to charitable gift annuities established to benefit the Institute totaling $133,787 and $120,879 as of June 30, 2017 and 2016, respectively.

6. 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.

	2017	2016
Total payment due under capital leases	$ 6,736	$ 25,261
Amount representing maintenance	(882)	(3,309)
Amount representing interest	(96)	(1,128)
Present value	$ 5,758	$ 20,824

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

2018	$ 5,757
Total minimum capital lease payments	$ 5,757

7. Demand Note Payable, Bank

For the years ended June 30, 2017 and 2016, the demand note payable drawn against both lines of credit amounted to $-0-, respectively, bearing interest at each bank's prime rate (average of 2.97% and 2.41% as of June 30, 2017 and 2016, respectively). The remaining unused balance of these commitments at June 30, 2017 and 2016 amounted to $6,500,000, respectively. 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.

8. Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2017	2016
Capital campaign	$ 5,266,303	$ 500,000
Publication programs	906,688	871,816
Conferences	480,000	113,000
Operations	361,715	381,704
Memberships	50,000	-
Honors	70,000	100,000
Unexpended gains	351,374	140,997
Total	$ 7,486,080	$ 2,107,517

Permanently restricted net assets at June 30, 2017 and June 30, 2016 consisted of $2,069,544 fellowship and book endowments, the income of which is available for general operations.

9. 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 $83,212 and $72,560 to the retirement plan during the years ended June 30, 2017 and June 30, 2016, respectively.

10. 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 permanently restricted net assets the original value of gifts donated to the permanent endowment, and the remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets 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, 2017 and 2016:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2016	$ -	$ 140,997	$ 2,069,544	$ 2,210,541
Additions	-	-	-	-
Investment return:				
Investment income	-	60,504	-	60,504
Net appreciation (realized and unrealized)	-	149,873	-	149,873
Total investment return	-	210,377	-	210,377
Amounts released		-	-	-
Endowment net assets, June 30, 2017	$ -	$ 351,374	$ 2,069,544	$ 2,420,918

	2016			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, July 1, 2015	$ 300,109	$ -	$ 1,000,000	$ 1,300,109
Additions	-	-	1,069,544	1,069,544
Investment return:				
Investment income	36,245	53,961	-	90,206
Net appreciation (realized and unrealized)	7,989	87,036	-	95,025
Total investment return	44,234	140,997	-	185,231
Amounts released	344,343	-	-	344,343
Endowment net assets, June 30, 2016	$ -	$ 140,997	$ 2,069,544	$ 2,210,541

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, 2017 or 2016.

11. Related Party Transactions

The Institute received contributions from staff and board members, totaling $4,679,235 during the year ended June 30, 2017 and $710,941 during the year ended June 30, 2016.

12. 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.