# Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Financial Statements

June 30, 2018 and 2017

bakertilly

# 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, 2018 and 2017, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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, 2018 and 2017, 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
December 7, 2018

## Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Statement of Financial Position
June 30, 2018 and 2017

| | 2018 | 2017 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash | $ 4,029,216 | $ 2,476,981 |
| Publications receivable, net of $62,242 and $79,679 allowance as of 2017 and 2016, respectively | 67,107 | 266,684 |
| Inventory | 218,316 | 216,066 |
| Contributions receivable, current | 1,356,667 | 2,800,000 |
| Prepaid expenses | 73,713 | 60,583 |
| Total current assets | 5,745,019 | 5,820,314 |
| **Other Assets** | | |
| Contributions receivable, long-term | 1,669,673 | 1,386,341 |
| Long-term investments | 6,033,209 | 5,446,319 |
| Charitable remainder trusts | 153,955 | 148,259 |
| Land, buildings and equipment, net | 3,717,739 | 3,745,864 |
| Total other assets | 11,574,576 | 10,726,783 |
| Total assets | $ 17,319,595 | $ 16,547,097 |
| **Liabilities and Net Assets** | | |
| **Liabilities** | | |
| Accounts payable | $ 125,492 | $ 245,488 |
| Maturities of capital lease payable | - | 5,758 |
| Liability for funds held for others | 160,258 | 150,298 |
| Total liabilities | 285,750 | 401,544 |
| **Net Assets** | | |
| Unrestricted | 7,187,704 | 6,589,929 |
| Temporarily restricted | 6,887,952 | 7,468,080 |
| Permanently restricted | 2,958,189 | 2,069,544 |
| Total net assets | 17,033,845 | 16,145,553 |
| Total liabilities and net assets | $ 17,319,595 | $ 16,547,097 |

## Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended June 30, 2018

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 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 | 80,551 | 62,465 | - | 143,016 |
| Corporate rent | 8,213 | - | - | 8,213 |
| Satisfaction of program restrictions | 3,267,280 | (3,267,280) | - | - |
| Total revenue, gains and other support | 8,551,944 | (729,063) | - | 7,822,881 |
| **Expenses** | | | | |
| Program: | | | | |
| Publications | 658,323 | - | - | 658,323 |
| National student journalism | 1,353,589 | - | - | 1,353,589 |
| Lectures and debates | 65,256 | - | - | 65,256 |
| Honors fellows and fellowships | 813,400 | - | - | 813,400 |
| Membership services | 738,170 | - | - | 738,170 |
| Faculty development | 157,745 | - | - | 157,745 |
| Books | 839,397 | - | - | 839,397 |
| Liberty fund | 403,797 | - | - | 403,797 |
| Conferences | 916,604 | - | - | 916,604 |
| Total program expenses | 5,946,281 | - | - | 5,946,281 |
| Program support services: | | | | |
| General and administrative | 702,043 | - | - | 702,043 |
| Development | 576,596 | - | - | 576,596 |
| Total program support services | 1,278,639 | - | - | 1,278,639 |
| Total expenses | 7,224,920 | - | - | 7,224,920 |
| Change in net assets from operating activities | 1,327,024 | (729,063) | - | 597,961 |
| **Non-Operating 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 non-operating activities | (729,249) | 130,935 | 888,645 | 290,331 |
| Change in net assets | 597,775 | (598,128) | 888,645 | 888,292 |
| **Net Assets, Beginning of Year** | 6,589,929 | 7,486,080 | 2,069,544 | 16,145,553 |
| **Net Assets, End of Year** | $ 7,187,704 | $ 6,887,952 | $ 2,958,189 | $ 17,033,845 |

*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 Cash Flows
Years Ended June 30, 2018 and 2017

| | 2018 | 2017 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Change in net assets | $ 888,292 | $ 5,604,803 |
| 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 | 17,437 | 79,679 |
| Unrealized gains on investments | (221,274) | (327,056) |
| Realized gains on investments | (55,782) | (2,310) |
| Change in value of split-interest agreements | (13,275) | (42,085) |
| Contributions restricted for long-term purposes | (175,000) | (1,390,000) |
| Changes in assets and liabilities: | | |
| Contributions receivable | 1,160,001 | (3,706,381) |
| Prepaid expenses | (13,130) | 70,419 |
| Publications receivable | 182,141 | (270,696) |
| Inventory | (2,250) | 15,624 |
| Charitable remainder trusts | (5,696) | (10,223) |
| Accounts payable | (119,996) | (48,440) |
| Deferred rent revenue | - | (26,600) |
| Liability for funds held for others | 9,960 | 6,307 |
| Net cash provided by operating activities | 1,883,916 | 133,979 |
| **Cash Flows from Investing Activities** | | |
| Purchases of property and equipment | (204,363) | (192,185) |
| Purchases of investments | (296,560) | (342,713) |
| Net cash (used in) investing activities | (500,923) | (534,898) |
| **Cash Flows from Financing Activities** | | |
| Contributions restricted for long-term purposes | 175,000 | 1,390,000 |
| Net payments on capital lease payable | (5,758) | (15,067) |
| Net cash provided by financing activities | 169,242 | 1,374,933 |
| Net increase in cash | 1,552,235 | 974,014 |
| **Cash, Beginning** | 2,476,981 | 1,502,967 |
| **Cash, Ending** | $ 4,029,216 | $ 2,476,981 |

*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 $17,437 and $79,679 as of June 30, 2018 and 2017, 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, 2018 and 2017 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, 2018.

### 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, 2018 and 2017.

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 December 7, 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 2020. The Institute has not yet determined the impact of adoption of ASU 2014-09 on its consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases*. ASU 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 2021. 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 year 2019. 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.

In June 2018, the FASB issued ASU 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 2018-08 is effective for the Institute's fiscal year 2020. The Institute is currently assessing the impact this standard will have on its financial statements.

## 2. Contributions Receivable

As of June 30, 2018 and 2017, 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, 2018 and 2017:

| | 2018 | 2017 |
|---|---|---|
| Amounts due in less than one year | $ 1,356,667 | $ 2,800,000 |
| Amounts due between one and five years | 1,748,108 | 1,429,967 |
| Total value of contributions receivable | 3,104,775 | 4,229,967 |
| Less discount on contributions receivable | 78,435 | 43,626 |
| Reported value of contributions receivable | $ 3,026,340 | $ 4,186,341 |

No allowance for doubtful contributions receivable as of June 30, 2018 and 2017 was required. Discount rates range from 1.38% to 1.89%.

As of June 30, 2018, the Institute held a conditional promise 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:

| | 2018 | 2017 |
|---|---|---|
| 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 | 438,060 | 233,697 |
| Less accumulated depreciation | 2,596,095 | 2,363,607 |
| Net | $ 3,717,739 | $ 3,745,864 |

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

| | 2018 | 2017 |
|---|---|---|
| Equipment | $ 75,085 | $ 75,085 |
| Accumulated depreciation | 75,085 | 69,328 |
| Net | $ - | $ 5,757 |

## 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, stocks, 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, 2018:

| | Total Fair Value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Short-term funds | $ 133,345 | $ 133,345 | $ - | $ - |
| Corporate bonds | 109,000 | - | 109,000 | - |
| Stocks | 2,983,092 | 2,983,092 | - | - |
| Real Estate | 299,950 | 299,950 | - | - |
| Bonds | 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 |

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 | - |
| Stocks | 2,988,759 | 2,988,759 | | |
| Mutual funds | 861,886 | 861,886 | - | - |
| Exchange traded funds | 669,932 | 669,932 | - | - |
| 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 |

## 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 $133,955 and $128,259 as of June 30, 2018 and 2017, respectively. The relating liability for the charitable remainder trust totaled $11,402 and $16,511 as of June 30, 2018 and 2017, 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, 2018 and 2017.

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 $148,856 and $133,787 as of June 30, 2018 and 2017, respectively. The charitable gift annuity assets are held in investments and totaled $569,192 and $506,337 as of June 30, 2018 and 2017, respectively.

## 6. Demand Note Payable, Bank

For the years ended June 30, 2018 and 2017, the demand note payable drawn against both lines of credit amounted to $-0-, respectively, bearing interest at each bank's prime rate (average of 4.66% and 2.97% as of June 30, 2018 and 2017, respectively). The remaining unused balance of these commitments at June 30, 2018 and 2017 amounted to $3,500,000, and 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.

## 7. Net Assets

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

| | 2018 | 2017 |
|---|---|---|
| Capital campaign | $ 5,236,940 | $ 5,266,303 |
| Publication programs | 625,000 | 906,688 |
| Conferences | 320,000 | 480,000 |
| Operations | 282,238 | 361,715 |
| Memberships | - | 50,000 |
| Honors | - | 70,000 |
| Unexpended gains | 423,774 | 351,374 |
| Total | $ 6,887,952 | $ 7,486,080 |

Permanently restricted net assets at June 30, 2018 and June 30, 2017 consisted of $2,958,189 and $2,069,544 fellowship and books endowment, the income of which is available for general operations.

## 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 $78,834 and $83,212 to the retirement plan during the years ended June 30, 2018 and June 30, 2017, 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 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, 2018 and 2017:

| | 2018 | | | |
|---|---|---|---|---|
| | **Unrestricted** | **Temporarily Restricted** | **Permanently Restricted** | **Total** |
| Endowment net assets, July 1, 2017 | $ - | $ 351,374 | $ 2,069,544 | $ 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 | $ - | $ 423,774 | $ 2,958,189 | $ 3,381,963 |

| | 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 |

### 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, 2018 or 2017.

### Net Asset Transfer

During the year ended June 30, 2018, the Institute transferred $888,645 of unrestricted funds to its permanent endowment to satisfy an internal obligation from the year ended June 30, 2013. This transfer is reflected as a non-operating net assets transfer on the statement of activities for the year ended June 30, 2018.

## 10. Related Party Transactions

The Institute received contributions from staff and board members, totaling $1,287,031 during the year ended June 30, 2018 and $4,679,235 during the year ended June 30, 2017.

## 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.