# THE INDEPENDENT INSTITUTE

Independent Auditor's Report
and Financial Statements

Year Ended June 30, 2022

# THE INDEPENDENT INSTITUTE

**Year Ended June 30, 2022**

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**BHLF LLP**

# INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Independent Institute

## Opinion

We have audited the accompanying financial statements of The Independent Institute, a California nonprofit corporation (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Independent Institute as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Independent Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Independent Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor’s Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



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**Auditor’s Responsibility for the Audit of the Financial Statements (Continued)**

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Independent Institute’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Independent Institute’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

BHLF LLP

Walnut Creek, California
April 3, 2023

# THE INDEPENDENT INSTITUTE

## STATEMENT OF FINANCIAL POSITION
June 30, 2022

### ASSETS

| | | |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ | 1,692,867 |
| Contributions and grants receivable | | 186,484 |
| Accounts receivable, net | | 84,887 |
| Inventory, net | | 133,938 |
| Investments | | 5,985,325 |
| Prepaid expenses | | 21,223 |
| Total current assets | | 8,104,724 |
| Property and equipment, net | | 81,326 |
| Investments, net of current portion | | 877,962 |
| Total assets | $ | 9,064,012 |

### LIABILITIES AND NET ASSETS

| | | |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ | 479,168 |
| Accrued expenses | | 221,938 |
| Total current liabilities | | 701,106 |
| **NET ASSETS** | | |
| Without donor restrictions | | 5,147,840 |
| With donor restrictions | | 3,215,066 |
| Total net assets | | 8,362,906 |
| Total liabilities and net assets | $ | 9,064,012 |

# THE INDEPENDENT INSTITUTE

## STATEMENT OF ACTIVITIES
## Year Ended June 30, 2022

| | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|
| **REVENUES, GAINS AND SUPPORT** | | | |
| Contributions and grants: | | | |
| Individuals and foundations | $ 2,328,136 | $ 2,416,247 | $ 4,744,383 |
| In-kind | 616,263 | - | 616,263 |
| Book and publication sales, net | 261,780 | - | 261,780 |
| Subscription revenue | 56,425 | - | 56,425 |
| Other income | 37,846 | - | 37,846 |
| Investment return, net | (703,403) | - | (703,403) |
| Net assets released from restrictions | 1,781,875 | (1,781,875) | - |
| Total revenues, gains and support | 4,378,922 | 634,372 | 5,013,294 |
| **EXPENSES** | | | |
| Program services | | | |
| Sparking Entrepreneurship & Innovation | 927,571 | - | 927,571 |
| Defending Civil Liberties | 1,062,594 | - | 1,062,594 |
| Disseminating Ideas | 1,388,698 | - | 1,388,698 |
| Educating the Next Generation | 1,261,813 | - | 1,261,813 |
| Total program services | 4,640,676 | - | 4,640,676 |
| Supporting services | | | |
| General and administrative | 489,740 | - | 489,740 |
| Fundraising | 502,791 | - | 502,791 |
| Total expenses | 5,633,207 | - | 5,633,207 |
| Change in net assets | (1,254,285) | 634,372 | (619,913) |
| **NET ASSETS** | | | |
| Beginning of year - as restated | 6,402,125 | 2,580,694 | 8,982,819 |
| End of year | $ 5,147,840 | $ 3,215,066 | $ 8,362,906 |

See notes to financial statements

# THE INDEPENDENT INSTITUTE

## STATEMENT OF FUNCTIONAL EXPENSES
### Year Ended June 30, 2022

| | Sparking Entrepreneur-ship & Innovation | Defending Civil Liberties | Disseminating Ideas | Educating the Next Generation | Total program services | General and administrative | Fundraising | Total |
|---|---|---|---|---|---|---|---|---|
| Salaries and wages | $ 383,256 | $ 172,261 | $ 298,651 | $ 407,057 | $ 1,261,225 | $ 319,226 | $ 311,858 | $ 1,892,309 |
| Professional services | 303,036 | 89,989 | 196,250 | 340,758 | 930,033 | 23,150 | 36,003 | 989,186 |
| Author honoraria & book preparation | 77,750 | 675,000 | 56,400 | 46,425 | 855,575 | - | - | 855,575 |
| Advertising | 9,169 | 35,410 | 444,708 | 352,486 | 841,773 | 966 | 3,251 | 845,990 |
| Payroll taxes and benefits | 54,216 | 24,368 | 42,248 | 57,583 | 178,415 | 45,158 | 44,116 | 267,689 |
| Printing and postage | 9,221 | 5,569 | 149,417 | 9,858 | 174,065 | 7,681 | 54,990 | 236,736 |
| Office and supplies | 27,395 | 42,512 | 25,951 | 21,924 | 117,782 | 51,008 | 34,073 | 202,863 |
| Cost of goods sold | 26,611 | 8,262 | 110,381 | 2,536 | 147,790 | 870 | 980 | 149,640 |
| Distribution fees | - | - | 50,653 | - | 50,653 | - | - | 50,653 |
| Occupancy | 11,065 | 4,973 | 8,622 | 11,752 | 36,412 | 9,216 | 9,003 | 54,631 |
| Travel and meetings | 19,995 | 1,051 | 1,905 | 7,519 | 30,470 | 1,948 | 5,517 | 37,935 |
| Loss on disposal | - | - | - | - | - | 27,446 | - | 27,446 |
| Depreciation | 3,686 | 1,657 | 2,873 | 3,915 | 12,131 | 3,071 | 3,000 | 18,202 |
| Royalty fees | 2,171 | 1,542 | 639 | - | 4,352 | - | - | 4,352 |
| Total expenses | $ 927,571 | $ 1,062,594 | $ 1,388,698 | $ 1,261,813 | $ 4,640,676 | $ 489,740 | $ 502,791 | $ 5,633,207 |

# THE INDEPENDENT INSTITUTE

## STATEMENT OF CASH FLOWS
## Year Ended June 30, 2022

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Change in net assets | $ (619,913) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 18,202 |
| Loss on disposal | 27,446 |
| Unrealized loss on investments, net | 1,183,497 |
| Realized gain on investments, net | (280,503) |
| Donated securities included in support | (381,698) |
| Inventory reserve recovery | (1,000) |
| Changes in operating assets and liabilities | |
| Contribution & pledge receivable | 195,516 |
| Accounts receivable, net | (50,308) |
| Inventory, net | (31,087) |
| Prepaid expenses and other assets | (61) |
| Accounts payable | 382,518 |
| Accrued expenses | (743) |
| Net cash provided by operating activities | 441,866 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Purchases of investments | (2,331,046) |
| Proceeds from sales of investments | 2,570,184 |
| Net cash provided by investing activities | 239,138 |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | 681,004 |
| **CASH AND CASH EQUIVALENTS** | |
| Beginning of year | 1,011,863 |
| End of year | $ 1,692,867 |

See notes to financial statements

# THE INDEPENDENT INSTITUTE

## NOTES TO FINANCIAL STATEMENTS

### 1. NATURE OF ACTIVITIES

The Independent Institute, Inc. (Organization) is a non-profit corporation founded in 1986. The Organization's purpose is to sponsor comprehensive studies, which deal with critical social and economic issues. These studies, adhering to the highest standard of independent inquiry, are disseminated through books and other publications and are publicly debated through numerous conference and media programs.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of presentation** – The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The net assets, revenues, gains and losses, expenses and other changes in the accompanying financial statements are classified based on the existence or absence of donor imposed restrictions. Accordingly, for reporting purposes, net assets of the Organization and changes therein are classified as follows:

> ***Net assets without donor restrictions*** – Represent net assets that are not subject to donor-imposed stipulations and are available to support the Organization's operations. This includes certain amounts designated by the board for specified uses.
>
> ***Net assets with donor restrictions*** – Represent contributions that are limited in use by the Organization in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied and removed by actions of the Organization according to the terms of the contribution. Upon satisfaction of such stipulations, the associated net assets are released from net assets with donor restrictions and recognized as net assets without donor restrictions. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. There are no net assets with perpetual donor restrictions at June 30, 2022.

**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. Actual results could differ from those estimates.

**Cash and cash equivalents** – The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Periodically, such deposits may exceed the federally insured limits.

**Contributions and grants receivable** – Contributions and grants receivable are recognized when the donor makes an unconditional promise to give to the Organization. Multi-year pledges are recorded at present value, unless the discount to present value is deemed insignificant to the financial statements as a whole.

**Accounts receivable, net** – Accounts receivable are derived from exchange transactions, which consist of the sale of print and e-books and other publications. Sale transactions and related accounts receivable due from a third party distributor are presented net of estimated sales returns and allowances and third party distribution fees of approximately 23% and 40%, respectively. As of June 30, 2022, accounts receivable, net, include estimated sales returns and allowances and distribution fees of $10,064 and $13,478, respectively.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Allowance for doubtful accounts** - The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor or customer, as applicable. There was no allowance for doubtful accounts as of June 30, 2022.

**Inventory** – Inventory is carried at the lower of cost or net realizable value and consists primarily of printed publications and books. Inventory cost is determined on the basis of the average cost method.

**Inventory reserve allowance** – A reserve for inventory obsolescence is estimated based on any unsold inventory at the end of the reporting period, excluding newly published books and reprints. As of June 30, 2022, the inventory reserve allowance is $86,000.

**Investments** – The Organization has reported investments in marketable securities with readily determinable fair market values and all investments in debt securities at their fair market values in the statement of financial position. Realized and unrealized gains and losses are reflected in the statement of activities. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**Prepublication costs -** Prepublication costs include costs incurred to create and develop the art, prepress, editorial, digital conversion and other content required for the creation of the master copy of a book or other media. Management determined that the prepublication costs do not provide a future economic benefit and are expensed as incurred.

**Property and equipment** – Purchased land, buildings and equipment are recorded at cost and donated property and equipment are recorded at the fair value at the date of the contribution. Management has established a capitalization threshold of $1,000 per item with useful lives greater than one year. Maintenance and repairs are charged to operations when incurred. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations. Depreciation of property and equipment is determined using the straight-line method over the following estimated useful lives, which ranges from 3 to 33 years.

**Revenue recognition -**

Contributions and grants - Contributions and grants, including promises to give, are defined as voluntary, non-reciprocal transfers and are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

Gifts in-kind - The Organization received in-kind advertising services through Google AdWords. Gifts in-kind are valued at fair value and are recorded as unrestricted contributions in the period received.

Book and publication sales revenue, net - Book and publication sales revenue are derived from the sale of print and e-books and other publications. Revenue is recognized when the performance obligations are satisfied and control is transferred to the customer, which generally occurs upon shipment of books or delivery of e-books. Print books are sold with a right of return. The Organization records a return reserve, and corresponding decrease in accounts receivable and revenue based upon historical trends.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Revenue recognition (Continued) -**

Subscription revenue - The Organization derives revenue from the sale of its quarterly magazine, The Independent Review, available in print and digital format. Due to overall insignificance, the Organization recognizes revenue at the point of time the sale occurs, which is when payment has been received, instead of deferring the revenue and recognizing it ratably over the subscription period.

**Advertising expenses** - The Organization uses advertising to promote its books, publications, and other multimedia content. Advertising costs are expensed as incurred. For the year ended June 30, 2022, total advertising expenses are $845,990, of which $616,263 represent in-kind advertising services provided by Google AdWords.

**Functional allocation of expenses –** The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Direct expenses have been allocated accordingly, and certain costs have been allocated among the program services and supporting services benefited. Such allocations are determined by management on an equitable basis based on time and effort of personnel within the Organization.

**Board Designated Endowment Fund** – The Organization maintains a board designated endowment fund as a component of net assets without donor restrictions. The board designated endowment funds are invested in publicly traded securities. The Organization's policy is to spend 5% of the annual value of its endowment fund on current programs, which can be modified at any time by the Board of Directors.

**New accounting pronouncements** – Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this ASU address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets. The Organization adopted the new ASU as of June 30, 2022.

ASU 2019-01, *Leases (Topic 842)* changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities for fiscal years beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment. The Organization plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

## 3. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30:

| | |
|---|---|
| Financial assets at year end: | |
| Cash and cash equivalents | $ 1,692,867 |
| Contributions and grant receivable | 186,484 |
| Accounts receivable | 84,887 |
| Investments | 6,863,287 |
| | 8,827,525 |
| Less amounts not available to be used within one year | |
| Quasi-endowment established by the Board | (924,172) |
| Financial assets available to meet general expenditures within one year | $ 7,903,353 |

The Organization's goal is generally to maintain financial assets to meet 180 days of operating expenses (approximately $2.6 million). As part of its liquidity plan, the Board has designated net assets to support current programs of the Organization as determined by the Board (see Note 10).

## 4. INVESTMENTS

Investments consist of the following at June 30:

| | Fair value | Cost |
|---|---|---|
| Mutual funds | $ 4,998,869 | $ 5,214,746 |
| Exchange-traded funds | 1,864,418 | 1,782,094 |
| | $ 6,863,287 | $ 6,996,840 |

Net investment return has been classified as increases in net assets without donor restrictions and was comprised of the following for the years ended June 30:

| | |
|---|---|
| Interest and dividends | $ 199,591 |
| Realized gain on investments | 280,503 |
| Change in unrealized loss, net | (1,183,497) |
| | $ (703,403) |

## 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

| | | |
|---|---|---|
| Equipment | $ | 92,341 |
| Furniture | | 46,815 |
| Leasehold improvements | | 124,691 |
| | | 263,847 |
| Accumulated depreciation | | (182,521) |
| Total | $ | 81,326 |

## 6. FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

*Level 1*: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

*Level 2*: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or 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.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3*: Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022:

*Exchange-traded funds:* Exchange-traded equity securities are generally valued based on quoted prices from the exchange. To the extent these securities are actively traded, valuation adjustments are not applied. Listed fund units are generally marked to the exchange-traded price, while listed fund units if not actively traded and unlisted fund units are generally marked to Net Asset Value ("NAV").

### 6. FAIR VALUE MEASUREMENTS (CONTINUED)

*Mutual funds:* Valued at the net asset value (NAV) of shares, based on quoted market prices, held by the Organization at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization management believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30:

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|---|---|---|---|---|
| Mutual funds | $ 4,998,869 | $ - | $ - | $ 4,998,869 |
| Exchange-traded funds | 1,864,418 | - | - | 1,864,418 |
| | $ 6,863,287 | $ - | $ - | $ 6,863,287 |

### 7. INCOME TAXES

The Organization was granted tax-exempt status other than a private foundation as provided by Internal Revenue Code Section 501(c)(3) in a determination letter dated September 23, 1986. As a result, the Organization is exempt from paying income taxes, except with respect to income unrelated to its tax exempt purpose. As of June 30, 2022, the Organization does not have any unrelated business income, and thus no provision for income taxes has been reflected in these financial statements.

The Organization has analyzed tax positions taken for filings with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization’s financial position, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions as of June 30, 2022. The Organization’s policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

As of June 30, 2022, periods subsequent to 2018 are subject to audit by various taxing authorities; however, there are currently no audits for any tax periods in progress.

## 8. CONCENTRATIONS

Contributions and grants receivable and revenue concentrations

As of June 30, 2022, approximately 79% or $148,000 of the Organization's total contributions and grants receivable are due from three donors or grantors. In addition, for the year ended June 30, 2022, approximately 36% or $1,700,000 of contribution and grant revenue was derived from two contributors or grantors. Lastly, approximately 13% or $618,816 was provided by related parties (see Note 11 below).

Accounts receivable and publishing revenue concentrations

For the year ended June 30, 2022, approximately 83% or $70,801 of the Organization's total accounts receivable are due from one customer and one distributor. In addition, approximately 18% or $47,272 of book and publication sales revenue was derived from one customer.

## 9. COMMITMENTS AND CONTINGENCIES

**Operating lease** - The Organization leases office and warehouse space at its headquarters in Oakland, California, under terms of a lease dated July 1, 2015, on a monthly basis. The Organization also has copier and office equipment leases.

The future lease obligations under all long term leases is as follows as June 30, 2022:

| | |
|---|---|
| 2023 | $ 63,776 |
| 2024 | 58,730 |
| 2025 | 48,637 |
| 2026 | 4,537 |
| 2027 | 2,268 |
| | $ 177,948 |

Rent expense totaled $44,100 for the year ended June 30, 2022.

## 10. NET ASSETS

Net assets with donor restrictions as of June 30, 2022, are as follows:

| | |
|---|---|
| Specific Purpose | |
| Sparking Entrepreneurship and Innovation | $ 1,886,464 |
| Defending Civil Liberties | 12,577 |
| Disseminating Ideas | 68,800 |
| Educating the Next Generation | 1,122,225 |
| Specific Purpose and Passage of Time | |
| Contribution receivable | 125,000 |
| | $ 3,215,066 |

## 10. NET ASSETS (CONTINUED)

Net assets released from net assets with donor restrictions for the year endedJune 30, 2022, are as follows:

| | |
|---|---|
| Satisfaction of Purpose Restrictions | |
| Sparking Entrepreneurship and Innovation | $ 450,562 |
| Defending Civil Liberties | 256,373 |
| Disseminating Ideas | 57,449 |
| Educating the Next Generation | 967,084 |
| Specific Purpose and Passage of Time | |
| Sparking Entrepreneurship and Innovation | 50,407 |
| | $ 1,781,875 |

The Board has designated certain unrestricted net assets for the Organization's board designated endowment fund. The board designated endowment fund is used to support current programs of the Organization as determined by the Board. Funds are invested and have been designated as follows:

| | |
|---|---|
| Balance, beginning of year | $ 1,075,149 |
| Investment income (loss), net | (98,065) |
| Disbursements | (52,912) |
| Balance, end of year | $ 924,172 |

## 11. RELATED PARTIES

During the year ended June 30, 2022, the Organization received $222,816 and $396,000 of contribution support from various Board Members and from Foundations controlled by Board Members, respectively.

The Organization leases its office from an entity wholly owned by the Chief Executive Officer and Board Member of the Organization. During the year ended June 30, 2022, total rent payments were $44,100.

## 12. CHANGE IN ACCOUNTING PRINCIPLE - RETROSPECTIVE APPLICATION

For the year ended June 30, 2022, the Organization changed its method of accounting for its slow moving and obsolete inventory from the specific identification method to creating a general inventory reserve allowance. Management elected to adopt the revised method as it more accurately and timely reflects its inventory value. The change in accounting principle resulted in a retrospective adjustment and reduction to beginning net assets without donor restrictions by $87,000.

## 13. SUBSEQUENT EVENTS

The Organization's management has reviewed the results of operations for the period of time from its year ended June 30, 2022 through April 3, 2023, the date these financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events have occurred, the nature of which would require disclosure.