

THE ACTON INSTITUTE FOR
THE STUDY OF RELIGION
AND LIBERTY

Financial Statements
With Independent Auditors' Report

December 31, 2019 and 2018

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Acton Institute for the Study of Religion and Liberty
Grand Rapids, Michigan

We have audited the accompanying financial statements of The Acton Institute for the Study of Religion and Liberty (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of The Acton Institute for the Study of Religion and Liberty as of December 31, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Grand Rapids, Michigan
July 10, 2020

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THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Statements of Financial Position

	December 31,	
	2019	2018
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 1,335,178	\$ 2,178,225
Promises to give	863,851	560,402
Inventory	139,834	144,828
Prepaid expenses and other assets	337,638	429,310
Investments	-	202,838
	<hr/> <u>2,676,501</u>	<hr/> <u>3,515,603</u>
Non-Current Assets:		
Cash restricted for investment in land, building and equipment	105,838	171,418
Promise to give, less current maturities	403,500	-
Investments	6,269,579	5,371,692
Land, building and equipment–net	6,850,864	6,994,910
	<hr/> <u>13,629,781</u>	<hr/> <u>12,538,020</u>
Total Assets	<hr/> <u>\$ 16,306,282</u>	<hr/> <u>\$ 16,053,623</u>
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts payable and other liabilities	<hr/> <u>\$ 225,828</u>	<hr/> <u>\$ 212,387</u>
Net Assets:		
Net assets without donor restrictions	12,051,115	12,148,621
Net assets with donor restrictions:		
Restricted by purpose or time	3,529,339	3,192,615
Restricted in perpetuity	500,000	500,000
	<hr/> <u>4,029,339</u>	<hr/> <u>3,692,615</u>
Total Net Assets	<hr/> <u>16,080,454</u>	<hr/> <u>15,841,236</u>
Total Liabilities and Net Assets	<hr/> <u>\$ 16,306,282</u>	<hr/> <u>\$ 16,053,623</u>

See notes to financial statements

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Statements of Activities

	Year Ended December 31,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Support:						
Contributions	\$ 8,480,208	\$ 1,345,791	\$ 9,825,999	\$ 8,199,428	\$ 723,936	\$ 8,923,364
Special events—net	53,118	-	53,118	136,257	-	136,257
	<u>8,533,326</u>	<u>1,345,791</u>	<u>9,879,117</u>	<u>8,335,685</u>	<u>723,936</u>	<u>9,059,621</u>
Revenue:						
Investment income—net	1,165,649	72,429	1,238,078	594,868	(23,107)	571,761
Program services	318,433	-	318,433	394,493	-	394,493
Rental income	123,229	-	123,229	190,934	-	190,934
Other income	5,218	-	5,218	-	-	-
Gross profit on sales	74,933	-	74,933	140,632	-	140,632
	<u>1,687,462</u>	<u>72,429</u>	<u>1,759,891</u>	<u>1,320,927</u>	<u>(23,107)</u>	<u>1,297,820</u>
Total Support and Revenue	<u>10,220,788</u>	<u>1,418,220</u>	<u>11,639,008</u>	<u>9,656,612</u>	<u>700,829</u>	<u>10,357,441</u>
Net Assets Released from from Restrictions	<u>831,496</u>	<u>(831,496)</u>	<u>-</u>	<u>749,776</u>	<u>(749,776)</u>	<u>-</u>
Total Support, Revenue, and Net Assets Released from Restrictions	<u>11,052,284</u>	<u>586,724</u>	<u>11,639,008</u>	<u>10,406,388</u>	<u>(48,947)</u>	<u>10,357,441</u>
EXPENSES:						
Program services	9,405,761	-	9,405,761	9,662,619	-	9,662,619
Supporting activities:						
Management and general	772,870	-	772,870	663,933	-	663,933
Fundraising	971,159	-	971,159	938,909	-	938,909
Total Expenses	<u>11,149,790</u>	<u>-</u>	<u>11,149,790</u>	<u>11,265,461</u>	<u>-</u>	<u>11,265,461</u>
Losses for uncollectible promises to give	<u>-</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses and Losses	<u>11,149,790</u>	<u>250,000</u>	<u>11,399,790</u>	<u>11,265,461</u>	<u>-</u>	<u>11,265,461</u>
Change in Net Assets	(97,506)	336,724	239,218	(859,073)	(48,947)	(908,020)
Net Assets, Beginning of Year	<u>12,148,621</u>	<u>3,692,615</u>	<u>15,841,236</u>	<u>13,007,694</u>	<u>3,741,562</u>	<u>16,749,256</u>
Net Assets, End of Year	<u>\$12,051,115</u>	<u>\$ 4,029,339</u>	<u>\$16,080,454</u>	<u>\$12,148,621</u>	<u>\$ 3,692,615</u>	<u>\$15,841,236</u>

See notes to financial statements

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Statement of Functional Expenses

	Year Ended December 31, 2019								
	Program Services					Supporting Services			
	Education	Research	General Education	Media	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 1,106,372	\$ 1,036,620	\$ 721,570	\$ 182,289	\$ 3,046,851	\$ 385,049	\$ 583,533	\$ 4,015,433	
Conferences and conventions	1,788,565	424,224	116,440	15,509	2,344,738	11,910	6,364	2,363,012	
Contracted services	271,781	287,053	358,768	113,637	1,031,239	11,422	62,616	1,105,277	
Advertising	135,291	11,823	499,841	-	646,955	-	3,000	649,955	
Depreciation	169,273	89,917	75,195	14,058	348,443	115,479	34,615	498,537	
Honorariums	371,756	68,062	3,700	-	443,518	-	-	443,518	
Travel	175,377	100,752	64,233	19,270	359,632	29,185	53,981	442,798	
Grants and awards	205,160	209,186	1,750	-	416,096	-	-	416,096	
Occupancy	55,202	79,427	25,379	4,581	164,589	37,626	12,265	214,480	
Equipment rental and maintenance	35,023	24,557	99,282	18,773	177,635	13,688	22,721	214,044	
Printing and duplicating	8,202	12,413	53,968	5	74,588	37	78,659	153,284	
Postage and shipping	9,852	8,076	46,702	425	65,055	638	76,076	141,769	
Publications	21,770	44,925	17,097	2,980	86,772	4,636	14,616	106,024	
Unrelated business income tax	-	-	-	-	-	96,800	-	96,800	
Other expenses	31,263	16,429	13,474	3,202	64,368	9,350	10,183	83,901	
Meals and entertainment	19,040	19,535	4,535	831	43,941	5,570	3,891	53,402	
Supplies	20,315	10,704	7,965	1,303	40,287	8,198	4,589	53,074	
Professional fees	-	5,549	-	-	5,549	37,678	240	43,467	
Furniture, fixtures, and equipment	6,856	4,658	10,177	1,498	23,189	3,170	1,717	28,076	
Telephone	8,226	8,520	2,785	2,785	22,316	2,434	2,093	26,843	
Total Expenses	<u>\$ 4,439,324</u>	<u>\$ 2,462,430</u>	<u>\$ 2,122,861</u>	<u>\$ 381,146</u>	<u>\$ 9,405,761</u>	<u>\$ 772,870</u>	<u>\$ 971,159</u>	<u>\$ 11,149,790</u>	

See notes to financial statements

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Statement of Functional Expenses

	Year Ended December 31, 2018								
	Program Services					Supporting Services			
	Education	Research	General Education	Media	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 1,293,166	\$ 973,100	\$ 654,964	\$ 276,410	\$ 3,197,640	\$ 253,941	\$ 615,803	\$ 4,067,384	
Conferences and conventions	1,821,013	632,412	116,263	14,363	2,584,051	1,456	3,999	2,589,506	
Contracted services	327,042	250,367	345,071	225,773	1,148,253	10,342	47,294	1,205,889	
Advertising	186,702	9,168	479,610	-	675,480	-	4,025	679,505	
Depreciation	132,648	88,213	67,845	14,974	303,680	133,750	40,458	477,888	
Travel	173,608	102,229	56,606	26,251	358,694	34,619	56,975	450,288	
Honorariums	310,695	54,129	2,000	2,500	369,324	-	-	369,324	
Occupancy	46,794	83,092	23,978	5,278	159,142	47,142	14,260	220,544	
Equipment rental and maintenance	40,501	28,496	76,007	17,778	162,782	15,607	25,486	203,875	
Grants and awards	92,316	103,879	250	-	196,445	-	-	196,445	
Printing and duplicating	4,322	17,061	86,064	60	107,507	537	48,597	156,641	
Postage and shipping	6,371	22,769	60,323	1,162	90,625	1,201	42,226	134,052	
Publications	32,815	46,486	13,160	3,103	95,564	2,846	13,726	112,136	
Other expenses	35,529	19,509	15,727	2,536	73,301	12,219	14,934	100,454	
Unrelated business income tax	-	-	-	-	-	91,109	-	91,109	
Supplies	15,405	10,095	12,601	1,263	39,364	7,176	3,831	50,371	
Professional fees	-	8,336	-	-	8,336	40,683	-	49,019	
Meals and entertainment	11,804	25,511	2,262	2,187	41,764	3,131	2,118	47,013	
Furniture, fixtures, and equipment	9,165	5,386	6,283	6,634	27,468	5,058	1,757	34,283	
Telephone	8,050	9,570	2,741	2,838	23,199	3,116	3,420	29,735	
Total Expenses	<u>\$ 4,547,946</u>	<u>\$ 2,489,808</u>	<u>\$ 2,021,755</u>	<u>\$ 603,110</u>	<u>\$ 9,662,619</u>	<u>\$ 663,933</u>	<u>\$ 938,909</u>	<u>\$ 11,265,461</u>	

See notes to financial statements

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Statements of Cash Flows

	Year End December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 239,218	\$ (908,020)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	498,537	477,888
Losses for uncollectible promises to give	250,000	-
Net unrealized and realized gain on investment	(819,293)	(234,389)
Reinvested interest and dividends	(76,369)	(68,609)
Changes in operating assets and liabilities:		
Promises to give	(956,949)	(129,478)
Inventory	4,994	8,008
Prepaid expenses and other assets	91,672	(94,420)
Accounts payable and other liabilities	13,441	(43,536)
Net Cash Used by Operating Activities	<u>(754,749)</u>	<u>(992,556)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(354,491)	(184,538)
Purchase of investments	(43,182)	(404,963)
Proceeds from the sale of investments	243,795	341,898
Net Cash Used by Investing Activities	<u>(153,878)</u>	<u>(247,603)</u>
Change In Cash and Cash Equivalents	(908,627)	(1,240,159)
Cash and Cash Equivalents, Beginning of Year	<u>2,349,643</u>	<u>3,589,802</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,441,016</u>	<u>\$ 2,349,643</u>
Cash and Cash Equivalents:		
Available for operations	\$ 1,335,178	\$ 2,178,225
Restricted for investment in land, building and equipment	105,838	171,418
	<u>\$ 1,441,016</u>	<u>\$ 2,349,643</u>

See notes to financial statements

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Notes to Financial Statements

December 31, 2019 and 2018

1. NATURE OF ORGANIZATION

The Acton Institute for the Study of Religion and Liberty (The Institute) is a nonprofit education literary center, headquartered in Grand Rapids, Michigan. The Institute's primary goal is to familiarize the religious community, particularly students and seminarians, with the moral dimensions of liberty and the free market.

2. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Institute have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance 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 these estimates. The more significant accounting policies are summarized below.

CASH AND CASH EQUIVALENTS

The Institute considers cash held in checking and savings accounts, and all highly liquid investments with an original maturity of 90 days or less to be cash equivalents. The Institute's accounts are insured by the Federal Deposit Insurance Corporation. At times, the Institute's cash and cash equivalents exceed federally insured limits. However, management monitors the soundness of the financial institution and believes the risk is negligible. As of December 31, 2019 and 2018, there was approximately \$1,168,000 and \$1,269,000 of uninsured cash and cash equivalents, respectively. Cash restricted for investment in land, building and equipment is accumulated cash received from a capital campaign not yet spent on capital expenditures.

PROMISES TO GIVE

Unconditional promises to give are recognized as revenue in the period the promise is made, and as assets, decreases of liabilities, or expenses depending on the form of the benefits to be received.

Promises to give are stated at the amount management expects to collect from balances outstanding. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its evaluation of the status of individual accounts, past credit history with donors and the donors' current financial condition. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Institute considers promises to give to be fully collectible; accordingly, no allowance for doubtful promises to give has been recorded. If amounts become uncollectible, a provision for the potential loss will be charged to operations when the determination is made. Promises to give are expected to be collected in the next year, therefore no discount has been recorded.

INVENTORY

Inventory consists primarily of bookstore supplies. Inventory is valued at the lower of cost or net realizable value for December 31, 2019 and 2018, with cost determined on the average cost method.

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Notes to Financial Statements

December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

LAND, BUILDING, AND EQUIPMENT

The Institute follows the practice of capitalizing, at cost, all expenditure for property and equipment in excess of \$1,000. Donations of property and equipment are recorded as support at the estimated fair value at the time received. Such donations are reported as support without donor restriction unless the donor has restricted the donated asset to a specific purpose. Gifts of long-lived assets with explicit restrictions specifying how the assets are to be used are reported as restricted support. Absent explicit donor stipulations about how the long-lived assets must be maintained, the Institute reports expirations of donor restrictions when the donated or long-lived assets are placed in service. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

The Institute follows the provisions of the *Fair Value Measurements and Disclosure* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). These standards establish a fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value.

Level 1

Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2

Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in active markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompany statements of financial position, as well as, the general classification of such instruments pursuant to the valuation hierarchy.

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Notes to Financial Statements

December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

Investments held at cost include certificates of deposit with an original maturity of greater than 90 days and money market funds held within the investment portfolio. The Institute holds level 1 and level 3 investments. Level 1 investments include mutual funds. Level 3 investments include common stock of an unregistered company. The Institute used significant unobservable inputs including information from an independent appraisal based on other valuation methods. The valuation approach considers capitalization of earnings and the merger and acquisition valuation method, as well as discounting the valuation for lack of control and lack of marketability.

CONTRIBUTIONS

Contributions received are reported as without donor restrictions or with donor restrictions support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions, if the restriction expires in the reporting period in which the support is reported. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restriction are used to account for all resources over which the Institute has discretionary control.

NET ASSETS WITH DONOR RESTRICTIONS

Contributions of cash and other assets are considered net assets with donor restrictions if they are received with donor stipulations that limit the use of donated assets. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for the Novak award as described in Note 8.

NONCASH DONATIONS

Donated marketable securities and other noncash donations are reported as contributions at their estimated fair values as of the date of the donation. The Institute has received an ongoing in-kind grant for online promotion of its programs. The revenue and expenses are recognized as promotional messaging occurs.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the program services and supporting activities have been summarized on a functional basis in the statements of activities. Certain costs not directly attributable to specific program services or functions have been allocated to program services and supporting activities. Management allocates costs based on an average of the programs budget, full time equivalents, and staff time attributed to the function. Management considers its method of allocation to be equitable. The Institute incurred no joint costs during the years ended December 31, 2019 and 2018.

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Notes to Financial Statements

December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ADVERTISING

The Institute expenses advertising costs as incurred. Total advertising costs were \$649,954 and \$679,505 including donated advertising of \$452,321 and \$305,138, as of December 31, 2019 and 2018, respectively.

INCOME TAXES

The Internal Revenue Service has determined the Institute is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Institute qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1) and 170(b)(1)(A)(vi). The Institute is subject to tax on unrelated business income, as defined by Section 511 of the code. The provision for income taxes on such income was \$83,769 and \$91,109, as of December 31, 2019 and 2018, respectively. Tax positions taken are assessed for uncertainty and provisions may be recorded if a tax position is not likely to be sustained upon examination.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (topic 606 of the FASB ASC). The Institute adopted the provisions of this new standard during the year ended December 31, 2019. The new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Adoption of this standard had no effect on change in net assets or net assets in total for the years ending December 31, 2019 and 2018.

ASU No. 2018-08 updates the *Not-for-Profit Entities* topic of the FASB ASC. This ASU clarifies the scope and accounting guidance for contributions received and contributions made. The Institute adopted the provisions of this new standard during the year ended December 31, 2019, and has implemented the guidance on a modified retrospective approach, meaning, changes are only applied to the portion of revenue that has not yet been recognized before the adoption of this ASU and there is no impact to beginning net assets as of December 31, 2019 and 2018.

In 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows - Restricted Cash* (topic 230 of the FASB ASC). The Institute adopted the provisions of this new standard during the year ended December 31, 2019. Adoption of this new standard had no effect on change in net assets or net assets in total for the years ending December 31, 2019 and 2018.

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Notes to Financial Statements

December 31, 2019 and 2018

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects the Institute's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The following table represents liquidity:

	December 31,	
	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 1,335,178	\$ 2,178,225
Promises to give	1,267,351	560,402
Cash restricted for investment in land, building and equipment	105,838	171,418
Investments	<u>6,269,579</u>	<u>5,574,530</u>
Financial assets, at year end	<u>8,977,946</u>	<u>8,484,575</u>
Less those unavailable for general expenditures within one year, due to:		
Cash restricted for investment in land, building and equipment	(105,838)	(171,418)
Common stock of unregistered company	(2,689,200)	(2,415,600)
Restrictions by donors with time and purpose restrictions subject to release beyond one year	<u>(3,145,078)</u>	<u>(3,398,803)</u>
	<u>(5,940,116)</u>	<u>(5,985,821)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,037,830</u>	<u>\$ 2,498,754</u>

The Institute has certain donor-restricted net assets that are available for general expenditures within one year of December 31, 2019 and 2018, because the restrictions are expected to be met by conducting the normal activities of the Institute in the coming year. Additionally, the Institute's restrictions by donors with purpose restrictions subject to release beyond one year is reported net of an estimated endowment appropriations.

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Notes to Financial Statements

December 31, 2019 and 2018

4. LAND, BUILDING, AND EQUIPMENT:

Land, building and equipment consists of the following:

	December 31,	
	2019	2018
Land	\$ 1,080,000	\$ 1,080,000
Building	6,078,544	6,077,528
Furniture, fixtures, and equipment	2,176,691	1,916,761
Library books and reference materials	<u>121,054</u>	<u>121,054</u>
	9,456,289	9,195,343
Accumulated depreciation	(2,605,425)	(2,200,433)
Total land, building and equipment– net	<u><u>\$ 6,850,864</u></u>	<u><u>\$ 6,994,910</u></u>

5. INVESTMENTS:

Investments consist of the following:

	December 31,	
	2019	2018
Investments held at cost:		
Certificates of deposit	\$ -	\$ 202,838
Money market funds	<u>14,304</u>	<u>23,780</u>
	<u>14,304</u>	<u>226,618</u>
Investments held at fair value:		
Mutual funds	3,566,075	2,932,312
Common stock of unregistered company	<u>2,689,200</u>	<u>2,415,600</u>
	<u>6,255,275</u>	<u>5,347,912</u>
Total Investments	<u><u>\$ 6,269,579</u></u>	<u><u>\$ 5,574,530</u></u>

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Notes to Financial Statements

December 31, 2019 and 2018

5. INVESTMENTS, continued:

Reconciliation to the statements of financial position:

	December 31,	
	2019	2018
Current assets:		
Investments	\$ -	\$ 202,838
Non-current assets:		
Investments	<u>6,269,579</u>	<u>5,371,692</u>
Total Investments	<u><u>\$ 6,269,579</u></u>	<u><u>\$ 5,574,530</u></u>

6. FAIR VALUE MEASUREMENT:

Investments at fair value consist of the following as of December 31, 2019:

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 1)	Significant Unobservable Inputs (Level 2)
Fair Value			
Mutual funds:			
Large blend	\$ 1,986,234	\$ 1,986,234	\$ -
Intermediate-term bond	1,025,638	1,025,638	-
Mid-cap growth	215,081	215,081	-
Large growth	185,180	185,180	-
High-yield bond	153,942	153,942	-
Common stock of unregistered company	<u>2,689,200</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 6,255,275</u></u>	<u><u>\$ 3,566,075</u></u>	<u><u>\$ 2,689,200</u></u>

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6. FAIR VALUE MEASUREMENT, continued:

Investments at fair value consist of the following as of December 31, 2018:

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Fair Value	(Level 1)	(Level 2)	(Level 3)
Mutual funds:			
Large blend	\$ 1,505,660	\$ 1,505,660	\$ -
Intermediate-term bond	973,421	973,421	-
Mid-cap growth	173,215	173,215	-
Large growth	147,199	147,199	-
High-yield bond	132,817	132,817	-
Common stock of unregistered company	2,415,600	-	2,415,600
	\$ 5,347,912	\$ 2,932,312	\$ 2,415,600

The following is a reconciliation of activity for the years ended December 31, 2019 and 2018, for assets measured at fair value based on significant unobservable Level 3 information:

	December 31,	
	2019	2018
Balance, beginning of year	\$ 2,415,600	\$ 1,972,200
Unrealized gain	273,600	443,400
Balance, end of year	\$ 2,689,200	\$ 2,415,600

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7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	December 31,	
	2019	2018
Restricted by purpose or time:		
Education	\$ 1,029,970	\$ 460,016
Research	26,750	27,517
Media	50,000	-
Campaign for building and program enhancement	2,105,838	2,421,418
Novak awards (endowment)–accumulated earnings	72,429	10,261
Time restricted funds	244,352	273,403
	<u>3,529,339</u>	<u>3,192,615</u>
Restricted in perpetuity:		
Novak awards (endowment)–original gift	<u>500,000</u>	<u>500,000</u>
	<u><u>\$ 4,029,339</u></u>	<u><u>\$ 3,692,615</u></u>

8. ENDOWMENT FUNDS:

In 2016, the Institute established The Acton Institute Endowment Fund. The fund was established with a \$500,000 donor gift that will remain in perpetuity to support the Novak award.

The Institute is reporting the endowment in accordance with the *Reporting Endowment Funds* topic of the FASB ASC. This topic provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization and enhanced disclosure information to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policy, and related investment policy of its endowment funds.

The Institute's endowment consists of a fund established to provide perpetual support for the Institute. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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8. ENDOWMENT FUNDS, continued:

The state of Michigan enacted UPMIFA effective September 15, 2009, and the Institute's Board of Trustees has interpreted the full provisions of UPMIFA, requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary for the years ended December 31, 2019 and 2018. As a result of this interpretation, the Institute classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Accumulated earnings are classified as net assets with donor restrictions and are investment gains waiting to be appropriated for expenditure by the Institution in a manner consistent 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 policy of the Institute

Endowment net asset composition by type of fund:

	December 31,	
	2019	2018
Accumulated earnings	\$ 72,429	\$ 10,261
Restricted in perpetuity	500,000	500,000
Total	<u>\$ 572,429</u>	<u>\$ 510,261</u>

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8. ENDOWMENT FUNDS, continued:

Changes in endowment net assets with donor restriction for the year ended December 31, 2019:

	Accumulated Earnings	Original Gift Amount	Total
Endowment net assets, beginning of year	<u>\$ 10,261</u>	<u>\$ 500,000</u>	<u>\$ 510,261</u>
Investment gains (losses)	72,429	-	72,429
Appropriation for expenditure	<u>(10,261)</u>	<u>-</u>	<u>(10,261)</u>
Endowment net assets, end of year	<u><u>\$ 72,429</u></u>	<u><u>\$ 500,000</u></u>	<u><u>\$ 572,429</u></u>

Changes in endowment net assets for the year ended December 31, 2018:

	Accumulated Earnings	Original Gift Amount	Total
Endowment net assets, beginning of year	<u>\$ 54,319</u>	<u>\$ 500,000</u>	<u>\$ 554,319</u>
Investment gains (losses)	(23,107)	-	(23,107)
Appropriation for expenditure	<u>(20,951)</u>	<u>-</u>	<u>(20,951)</u>
Endowment net assets, end of year	<u><u>\$ 10,261</u></u>	<u><u>\$ 500,000</u></u>	<u><u>\$ 510,261</u></u>

FUND 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. In accordance with GAAP, deficiencies of this nature are reported within net assets with donor restrictions. There were no fund deficiencies as of December 31, 2019 and 2018.

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8. ENDOWMENT FUNDS, continued:

RISK PARAMETERS AND STRATEGIES EMPLOYED FOR ACHIEVING RETURN OBJECTIVES

The investment policy will voluntarily conform to the evolving prudent investor provisions of UPMIFA and other fiduciary responsibilities pertaining to the investment of the Institute's assets. The policy will be reviewed at least annually to ensure the policy is still consistent with the Institute's financial needs and tolerance for assuming investment and financial risk.

The Institute's broad investment objectives include:

- Preserving the long-term, real purchasing power of the assets while providing a relatively predictable and growing stream of annual distributions.
- Achieving maximum long-term growth through equity investments and generating stable returns with fixed income investments.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Institute will fund distributions using a total-return based spending policy. The general spending or distribution policy, as approved by the Board of Directors, is a rate of up to 4% of the average market values of the endowment investments over the last 12 quarters. The earnings on the net assets with donor restrictions-held in perpetuity are used to fund the Novak award.

9. LEASES:

The Institute also leases a portion of the building and related parking spaces to an unrelated party under an operating lease, which expired in September 2019. Rental income under the operating leases for the years ended December 31, 2019 and 2018, was \$123,229 and \$170,463, respectively.

10. RETIREMENT PLAN:

The Institute has an employee benefit plan under Section 401(k) of the Internal Revenue Code for substantially all of its employees who meet the eligibility requirements. Contributions to the plan are at the discretion of management. Participants may contribute up to \$18,000 of their compensation to the plan on a pretax basis. The Institute matches 50% of each participant's elective contributions, not to exceed \$4,000 annually in 2019 and 2018. Contributions were \$101,630 and \$113,097, respectively. The Institute's obligation is limited to contributions made for the benefit of participating employees.

11. CONCENTRATIONS:

One funding source provided approximately 21% and 24% of total revenue for the years ended December 31, 2019 and 2018, respectively.

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12. RELATED PARTY TRANSACTIONS:

The Institute received a contribution from an organization who has a vice president that is also on the board at the Institute in the amount of \$2,506,000 and \$2,541,250 for the years ended December 31, 2019 and 2018, respectively. The Institute also received a contribution from an organization who has a board member that is also the executive director at the Institute in the amount of \$865,000. Lastly, the Institute received \$219,175 and \$158,480, in contributions from members of the board of directors during the year ended December 31, 2019 and 2018, respectively.

13. SPECIAL EVENTS-NET:

The Institute hosts an annual fundraising dinner. Special events support is reported net of related expenses in the statements of activities and consists of:

	Year Ended December 31,	
	2019	2018
Contributions	\$ 229,835	\$ 259,520
Program fees	58,525	75,075
Direct expenses	(235,242)	(198,338)
	<u>\$ 53,118</u>	<u>\$ 136,257</u>

14. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through July 10, 2020, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States and has caused disruption through mandated and voluntary closings and/or transitions to remote work for numerous businesses and nonprofits, including the Institute. While the disruptions are currently expected to be temporary, there is considerable uncertainty around the duration of these disruptions. Therefore, the Institute anticipates this could have a negative effect on operations. Further, the Institute also anticipates this could negatively impact contributions and investment income as well. However, the extent to which the COVID-19 outbreak will financially impact the Institute's operations or financial results cannot be reasonably estimated at this time.