

THE ACTON INSTITUTE FOR
THE STUDY OF RELIGION
AND LIBERTY

Financial Statements
With Independent Auditors' Report

December 31, 2021 and 2020

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

Opinion

We have audited the accompanying financial statements of The Acton Institute for the Study of Religion and Liberty, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 Acton Institute for the Study of Religion and Liberty as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Acton Institute for the Study of Religion and Liberty and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Acton Institute for the Study of Religion and Liberty's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Auditors' Responsibilities 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 auditors' 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, including omissions, 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.

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 Acton Institute for the Study of Religion and Liberty'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 Acton Institute for the Study of Religion and Liberty'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.

Capin Crouse LLP

Grand Rapids, Michigan
June 30, 2022

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Statements of Financial Position

| | December 31, | |
|--|----------------------|----------------------|
| | 2021 | 2020 |
| ASSETS: | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 11,875,694 | \$ 4,534,793 |
| Promises to give | 1,890,817 | 502,011 |
| Inventory | 35,410 | 77,975 |
| Prepaid expenses and other assets | 331,037 | 249,979 |
| | 14,132,958 | 5,364,758 |
| Non-Current Assets: | | |
| Cash restricted for investment in land, building and equipment | - | 21,543 |
| Promise to give, less current portion | 1,600,000 | 128,000 |
| Investments | 8,568,369 | 6,653,824 |
| Land, building and equipment–net | 6,116,312 | 6,410,561 |
| | 16,284,681 | 13,213,928 |
| Total Assets | \$ 30,417,639 | \$ 18,578,686 |
| LIABILITIES AND NET ASSETS: | | |
| Current Liabilities: | | |
| Accounts payable and other liabilities | \$ 457,633 | \$ 366,961 |
| Refundable advance | 3,478,891 | - |
| Total Liabilities | 3,936,524 | 366,961 |
| Net Assets: | | |
| Net assets without donor restrictions | 16,330,253 | 14,272,684 |
| Net assets with donor restrictions: | | |
| Restricted by purpose or time | 9,650,862 | 3,439,041 |
| Restricted in perpetuity | 500,000 | 500,000 |
| | 10,150,862 | 3,939,041 |
| Total Net Assets | 26,481,115 | 18,211,725 |
| Total Liabilities and Net Assets | \$ 30,417,639 | \$ 18,578,686 |

See notes to financial statements

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Statements of Activities

| | Year Ended December 31, | | | | | |
|--|-------------------------------|----------------------------|--------------|-------------------------------|----------------------------|--------------|
| | 2021 | | | 2020 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| SUPPORT AND REVENUE: | | | | | | |
| Support: | | | | | | |
| Contributions | \$ 7,181,521 | \$ 7,035,776 | \$14,217,297 | \$ 7,794,028 | \$ 912,566 | \$ 8,706,594 |
| Special events—net | 92,392 | - | 92,392 | 68,866 | - | 68,866 |
| | 7,273,913 | 7,035,776 | 14,309,689 | 7,862,894 | 912,566 | 8,775,460 |
| Revenue: | | | | | | |
| Investment income—net | 1,866,929 | 83,354 | 1,950,283 | 902,039 | 79,745 | 981,784 |
| Program services | 156,367 | - | 156,367 | 32,058 | - | 32,058 |
| Rental income | 8,250 | - | 8,250 | 8,250 | - | 8,250 |
| Other income | 43,871 | - | 43,871 | 3,522 | - | 3,522 |
| Sales | 94,282 | - | 94,282 | 98,596 | - | 98,596 |
| | 2,169,699 | 83,354 | 2,253,053 | 1,044,465 | 79,745 | 1,124,210 |
| Total Support and Revenue | 9,443,612 | 7,119,130 | 16,562,742 | 8,907,359 | 992,311 | 9,899,670 |
| Net Assets Released from from Restrictions and Reclassifications | 907,309 | (907,309) | - | 1,082,609 | (1,082,609) | - |
| Total Support, Revenue, Net Assets Released from Restrictions and Reclassifications | 10,350,921 | 6,211,821 | 16,562,742 | 9,989,968 | (90,298) | 9,899,670 |
| EXPENSES: | | | | | | |
| Program services | 6,413,729 | - | 6,413,729 | 6,112,389 | - | 6,112,389 |
| Supporting activities: | | | | | | |
| Management and general | 819,994 | - | 819,994 | 826,195 | - | 826,195 |
| Fundraising | 1,059,629 | - | 1,059,629 | 829,815 | - | 829,815 |
| | 8,293,352 | - | 8,293,352 | 7,768,399 | - | 7,768,399 |
| Total Expenses | 8,293,352 | - | 8,293,352 | 7,768,399 | - | 7,768,399 |
| Change in Net Assets | 2,057,569 | 6,211,821 | 8,269,390 | 2,221,569 | (90,298) | 2,131,271 |
| Net Assets, Beginning of Year | 14,272,684 | 3,939,041 | 18,211,725 | 12,051,115 | 4,029,339 | 16,080,454 |
| Net Assets, End of Year | \$16,330,253 | \$10,150,862 | \$26,481,115 | \$14,272,684 | \$ 3,939,041 | \$18,211,725 |

See notes to financial statements

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Statement of Functional Expenses

Year Ended December 31, 2021

| | Program Services | | | | | Supporting Activities | | |
|------------------------------------|---------------------------|----------------------------|----------------------------|--------------------------|----------------------------|---------------------------|----------------------------|----------------------------|
| | | | General | | Total | Management and General | | Total |
| | Education | Research | Education | Media | | Fundraising | | |
| Salaries and wages | \$ 964,035 | \$ 745,203 | \$ 638,715 | \$ 197,073 | \$ 2,545,026 | \$ 350,361 | \$ 634,629 | \$ 3,530,016 |
| Contracted services | 495,818 | 85,598 | 280,010 | 487,792 | 1,349,218 | 9,796 | 133,411 | 1,492,425 |
| Advertising | 74,375 | - | 578,096 | 11,509 | 663,980 | - | - | 663,980 |
| Depreciation | 83,636 | 51,129 | 70,440 | 19,954 | 225,159 | 107,715 | 45,235 | 378,109 |
| Equipment rental and maintenance | 51,794 | 35,115 | 132,279 | 32,752 | 251,940 | 21,007 | 15,147 | 288,094 |
| Other | 61,217 | 36,240 | 39,155 | 72,236 | 208,848 | 59,496 | 28,716 | 297,060 |
| Conferences and conventions | 128,693 | 77,003 | 55,148 | 2,186 | 263,030 | 9,876 | 4,891 | 277,797 |
| Grants and awards | 131,400 | 80,037 | - | - | 211,437 | 5,500 | - | 216,937 |
| Occupancy | 34,070 | 69,879 | 29,007 | 8,033 | 140,989 | 43,363 | 18,247 | 202,599 |
| Travel | 49,581 | 39,498 | 43,176 | 10,561 | 142,816 | 27,070 | 27,404 | 197,290 |
| Publications | 20,273 | 21,137 | 71,247 | 4,291 | 116,948 | 11,254 | 25,431 | 153,633 |
| Honorariums | 106,696 | 31,669 | - | - | 138,365 | - | - | 138,365 |
| Postage and shipping | 2,314 | 7,344 | 37,169 | 2,020 | 48,847 | 3,030 | 63,051 | 114,928 |
| Unrelated business income tax | - | - | - | - | - | 102,740 | - | 102,740 |
| Printing and duplicating | 2,033 | 5,735 | 23,976 | 30 | 31,774 | 162 | 53,845 | 85,781 |
| Professional fees | - | 5,416 | - | 2,041 | 7,457 | 55,918 | - | 63,375 |
| Supplies | 5,661 | 6,270 | 8,968 | 1,030 | 21,929 | 5,559 | 4,213 | 31,701 |
| Meals and entertainment | 4,154 | 14,543 | 1,947 | 290 | 20,934 | 1,567 | 2,691 | 25,192 |
| Furniture, fixtures, and equipment | 4,599 | 2,088 | 5,841 | 1,284 | 13,812 | 3,127 | 1,313 | 18,252 |
| Telephone | 3,372 | 3,118 | 2,073 | 2,657 | 11,220 | 2,453 | 1,405 | 15,078 |
| Total Expenses | <u>\$2,223,721</u> | <u>\$ 1,317,022</u> | <u>\$ 2,017,247</u> | <u>\$ 855,739</u> | <u>\$ 6,413,729</u> | <u>\$ 819,994</u> | <u>\$ 1,059,629</u> | <u>\$ 8,293,352</u> |

See notes to financial statements

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Statement of Functional Expenses

Year Ended December 31, 2020

| | Program Services | | | | | Supporting Activities | | |
|------------------------------------|--------------------|---------------------|---------------------|-------------------|---------------------|------------------------|-------------------|---------------------|
| | | | General | | Total | Management and General | | Total |
| | Education | Research | Education | Media | | Fundraising | | |
| Salaries and wages | \$ 895,675 | \$ 726,657 | \$ 540,401 | \$ 171,491 | \$ 2,334,224 | \$ 455,291 | \$ 569,444 | \$ 3,358,959 |
| Contracted services | 662,271 | 129,814 | 326,103 | 40,257 | 1,158,445 | 3,761 | 42,236 | 1,204,442 |
| Advertising | 183,378 | - | 522,450 | - | 705,828 | - | - | 705,828 |
| Conferences and conventions | 66,679 | 436,851 | 1,240 | 1,515 | 506,285 | 1,247 | 4,028 | 511,560 |
| Depreciation | 106,244 | 79,029 | 68,031 | 15,258 | 268,562 | 126,168 | 55,090 | 449,820 |
| Equipment rental and maintenance | 79,045 | 19,695 | 108,856 | 10,562 | 218,158 | 12,980 | 9,567 | 240,705 |
| Occupancy | 33,135 | 74,447 | 21,217 | 4,758 | 133,557 | 39,349 | 17,209 | 190,115 |
| Other | 123,950 | 17,918 | 8,209 | 26,371 | 176,448 | 15,005 | 12,566 | 204,019 |
| Honorariums | 132,862 | 28,793 | - | - | 161,655 | - | - | 161,655 |
| Travel | 48,052 | 29,328 | 32,683 | 2,443 | 112,506 | 13,931 | 14,063 | 140,500 |
| Grants and awards | 46,500 | 68,970 | - | - | 115,470 | - | - | 115,470 |
| Unrelated business income tax | - | - | - | - | - | 112,531 | - | 112,531 |
| Publications | 26,309 | 30,604 | 14,676 | 962 | 72,551 | 4,577 | 15,766 | 92,894 |
| Printing and duplicating | 1,693 | 10,953 | 38,728 | 44 | 51,418 | 365 | 36,455 | 88,238 |
| Postage and shipping | 996 | 7,404 | 20,128 | 270 | 28,798 | 405 | 43,015 | 72,218 |
| Professional fees | 4,442 | 6,365 | - | - | 10,807 | 29,489 | - | 40,296 |
| Supplies | 8,172 | 6,256 | 4,805 | 794 | 20,027 | 6,562 | 7,280 | 33,869 |
| Telephone | 4,026 | 5,377 | 1,748 | 2,343 | 13,494 | 2,388 | 1,572 | 17,454 |
| Furniture, fixtures, and equipment | 2,723 | 3,699 | 5,049 | 677 | 12,148 | 1,773 | 900 | 14,821 |
| Meals and entertainment | 2,756 | 8,710 | 298 | 244 | 12,008 | 373 | 624 | 13,005 |
| Total Expenses | \$2,428,908 | \$ 1,690,870 | \$ 1,714,622 | \$ 277,989 | \$ 6,112,389 | \$ 826,195 | \$ 829,815 | \$ 7,768,399 |

See notes to financial statements

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Statements of Cash Flows

| | Year Ended December 31, | |
|--|-------------------------|--------------|
| | 2021 | 2020 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 8,269,390 | \$ 2,131,271 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 378,109 | 449,820 |
| Net unrealized and realized gain on investment | (1,447,374) | (650,918) |
| Changes in operating assets and liabilities: | | |
| Promises to give | (2,860,806) | 637,340 |
| Inventory | 42,565 | 61,859 |
| Prepaid expenses and other assets | (81,058) | 87,659 |
| Accounts payable and other liabilities | 90,672 | 141,133 |
| Refundable advance | 3,478,891 | - |
| Net Cash Provided by Operating Activities | 7,870,389 | 2,858,164 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (83,860) | (9,517) |
| Purchase of investments | (628,163) | (283,053) |
| Proceeds from the sale of investments | 160,992 | 549,726 |
| Net Cash Provided (Used) by Investing Activities | (551,031) | 257,156 |
| Change In Cash and Cash Equivalents | 7,319,358 | 3,115,320 |
| Cash and Cash Equivalents, Beginning of Year | 4,556,336 | 1,441,016 |
| Cash and Cash Equivalents, End of Year | \$ 11,875,694 | \$ 4,556,336 |
| Cash and Cash Equivalents: | | |
| Available for operations | \$ 11,875,694 | \$ 4,534,793 |
| Restricted for investment in land, building and equipment | - | 21,543 |
| | \$ 11,875,694 | \$ 4,556,336 |

See notes to financial statements

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Notes to Financial Statements

December 31, 2021 and 2020

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. The Institute is primarily supported by contributions.

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 institutions and believes the risk is negligible. As of December 31, 2021 and 2020, there was approximately \$11,448,000 and \$4,242,000 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, 2021 and 2020, with cost determined on the average cost method.

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Notes to Financial Statements

December 31, 2021 and 2020

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 restrictions 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.

INVESTMENTS

Investments held at cost include 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.

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Notes to Financial Statements

December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

REFUNDABLE ADVANCE

During 2021, the Institute received funds of \$3,478,891 that contained donor conditions. Since this grant is conditioned on future uncertain events, it is not recorded as contribution revenue until donor conditions are met. Funds received from the donor in advance of the conditions being met totaled \$3,478,891, which are recorded as a refundable advance on the statements of financial position at December 31, 2021. The funds will be subsequently recognized as contribution revenue when donor conditions are met. There were no refundable advances for the year ended December 31, 2020.

NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions 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.

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.

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 and statements of functional expenses. 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, 2021 and 2020.

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Notes to Financial Statements

December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ADVERTISING

The Institute expenses advertising costs as incurred. Total advertising costs were \$663,980 and \$705,828 including donated advertising of \$479,317 and \$475,679, as of December 31, 2021 and 2020, respectively.

UNRELATED BUSINESS INCOME TAX

The Institute is subject to tax on unrelated business income, as defined by Section 511 of the Internal Revenue Code. The provision for income taxes on such income was \$102,740 and \$112,531, as of December 31, 2021 and 2020, respectively.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects the Institute's financial assets, 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:

| | <u>December 31,</u> | |
|--|----------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Financial assets: | | |
| Cash and cash equivalents | \$ 11,875,694 | \$ 4,534,793 |
| Promises to give | 3,490,817 | 630,011 |
| Cash restricted for investment in land, building and equipment | - | 21,543 |
| Investments | <u>8,568,369</u> | <u>6,653,824</u> |
| Financial assets, at year end | <u>23,934,880</u> | <u>11,840,171</u> |
| Less those unavailable for general expenditures within one year, due to: | | |
| Cash restricted for investment in land, building and equipment | - | (21,543) |
| Common stock of unregistered company | (4,028,400) | (2,966,400) |
| Restrictions by donors with time and purpose restrictions subject to release beyond one year | <u>(8,238,045)</u> | <u>(3,503,416)</u> |
| | <u>(12,266,445)</u> | <u>(6,491,359)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 11,668,435</u> | <u>\$ 5,348,812</u> |

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Notes to Financial Statements

December 31, 2021 and 2020

3. LIQUIDITY AND AVAILABILITY OF RESOURCES, continued:

The Institute has certain donor-restricted net assets that are available for general expenditures within one year of December 31, 2021 and 2020, 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 Institute also has available an operating line of credit in the amount of \$250,000 which could be drawn upon in the event of an unanticipated liquidity need.

4. LAND, BUILDING, AND EQUIPMENT:

Land, building and equipment consists of the following:

| | December 31, | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| Land | \$ 1,080,000 | \$ 1,080,000 |
| Building | 6,082,839 | 6,089,084 |
| Furniture, fixtures, and equipment | 2,195,402 | 2,170,704 |
| Library books and reference materials | 121,054 | 121,054 |
| | <u>9,479,295</u> | <u>9,460,842</u> |
| Accumulated depreciation | <u>(3,362,983)</u> | <u>(3,050,281)</u> |
| Total land, building and equipment– net | <u>\$ 6,116,312</u> | <u>\$ 6,410,561</u> |

5. REVOLVING LINE OF CREDIT:

The Institute has an arrangement with a local bank providing for an available revolving line of credit of \$250,000. The line is collateralized by general assets. The line of credit has a variable interest rate based on the bank's prime rate, which was 3.25% at December 31, 2021 and 2020. There was no outstanding balances as of December 31, 2021 and 2020. Further, there were no draws during the years ended December 31, 2021 and 2020. The Institute was in compliance, or obtained a waiver, with all covenants as of December 31, 2021 and 2020. The maturity date of the line of credit is July 2022.

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Notes to Financial Statements

December 31, 2021 and 2020

6. INVESTMENTS AND FAIR VALUE MEASUREMENT:

Investments at fair value consist of the following as of December 31, 2021:

| | Fair Value | Fair Value Measurements Using | | |
|--------------------------------------|---------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Mutual funds: | | | | |
| Large blend | \$ 2,476,766 | \$ 2,476,766 | \$ - | \$ - |
| Intermediate-term bond | 1,207,394 | 1,207,394 | - | - |
| Large growth | 683,730 | 683,730 | - | - |
| High-yield bond | 172,079 | 172,079 | - | - |
| Common stock of unregistered company | 4,028,400 | - | - | 4,028,400 |
| | <u>\$ 8,568,369</u> | <u>\$ 4,539,969</u> | <u>\$ -</u> | <u>\$ 4,028,400</u> |

Investments at fair value consist of the following as of December 31, 2020:

| | Fair Value | Fair Value Measurements Using | | |
|--------------------------------------|---------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Mutual funds: | | | | |
| Large blend | \$ 2,189,758 | \$ 2,189,758 | \$ - | \$ - |
| Intermediate-term bond | 1,179,052 | 1,179,052 | - | - |
| Large growth | 153,150 | 153,150 | - | - |
| High-yield bond | 165,464 | 165,464 | - | - |
| Common stock of unregistered company | 2,966,400 | - | - | 2,966,400 |
| | <u>\$ 6,653,824</u> | <u>\$ 3,687,424</u> | <u>\$ -</u> | <u>\$ 2,966,400</u> |

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7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

| | December 31, | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| Restricted by purpose or time: | | |
| Education | \$ 7,125,095 | \$ 1,023,744 |
| Campaign for building and program enhancement | 2,000,000 | 2,021,543 |
| Novak awards (endowment)–accumulated earnings | 205,185 | 143,047 |
| Time restricted funds | 128,403 | 226,511 |
| Research | 105,675 | 24,196 |
| Media | 86,504 | - |
| | <u>9,650,862</u> | <u>3,439,041</u> |
| Restricted in perpetuity: | | |
| Novak awards (endowment)–original gift | 500,000 | 500,000 |
| | <u>\$10,150,862</u> | <u>\$ 3,939,041</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.

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, 2021 and 2020. 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.

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8. ENDOWMENT FUNDS, continued:

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, | |
|--------------------------|--------------|------------|
| | 2021 | 2020 |
| Accumulated earnings | \$ 205,185 | \$ 143,047 |
| Restricted in perpetuity | 500,000 | 500,000 |
| Total | \$ 705,185 | \$ 643,047 |

Changes in endowment net assets with donor restrictions for the year ended December 31, 2021:

| | Accumulated Earnings | Original Gift Amount | Total |
|--|-------------------------|-------------------------|------------|
| Endowment net assets, beginning of year | \$ 143,047 | \$ 500,000 | \$ 643,047 |
| Investment gains | 83,354 | - | 83,354 |
| Appropriation for expenditure | (21,216) | - | (21,216) |
| Endowment net assets, end of year | \$ 205,185 | \$ 500,000 | \$ 705,185 |

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8. ENDOWMENT FUNDS, continued:

Changes in endowment net assets with donor restrictions for the year ended December 31, 2020:

| | <u>Accumulated Earnings</u> | <u>Original Gift Amount</u> | <u>Total</u> |
|--|---------------------------------|---------------------------------|-------------------|
| Endowment net assets, beginning of year | \$ 72,429 | \$ 500,000 | \$ 572,429 |
| Investment gains | 79,745 | - | 79,745 |
| Reclassifications | 12,809 | - | 12,809 |
| Appropriation for expenditure | <u>(21,936)</u> | <u>-</u> | <u>(21,936)</u> |
| Endowment net assets, end of year | <u>\$ 143,047</u> | <u>\$ 500,000</u> | <u>\$ 643,047</u> |

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. 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, 2021 and 2020.

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.

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9. 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. The Institute may make contributions to the plan based on management's discretion. During the years ended December 31, 2021 and 2020, the Institute made discretionary contributions of \$100,457 and \$-0-, respectively. Further, the Institute matches 50% of each participant's elective contributions, not to exceed \$4,000. Total matching contributions to the plan were \$83,985 and \$77,905 for the years ended December 31, 2021 and 2020, respectively. The Institute's obligation is limited to contributions made for the benefit of participating employees.

10. CONCENTRATIONS:

One funding source provided approximately 34% of total revenue for the year ended December 31, 2021. Two funding sources provided approximately 33% of total revenue for the year ended December 31, 2020.

11. 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 \$5,661,000 and \$2,106,000 for the years ended December 31, 2021 and 2020, respectively. The Institute also received \$542,900 and \$602,200, in contributions from members of the board of directors during the years ended December 31, 2021 and 2020, respectively.

12. 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, | |
|-----------------|-------------------------|------------------|
| | 2021 | 2020 |
| Contributions | \$ 269,782 | \$ 128,105 |
| Program fees | 60,650 | 6,310 |
| Direct expenses | (238,040) | (65,549) |
| | <u>\$ 92,392</u> | <u>\$ 68,866</u> |

13. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Institute for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

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14. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through June 30, 2022, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.