**INSTITUTE FOR FREE SPEECH**
**(a nonprofit organization)**

**FINANCIAL STATEMENTS**

**Year ended December 31, 2023**
**with Summarized Comparative Information**
**for the year ended December 31, 2022**

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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors
The Institute for Free Speech
Washington, DC

**Opinion**

We have audited the accompanying financial statements of Institute for Free Speech (the Institute), which comprise the statement of financial position as of December 31, 2023, 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 Institute as of December 31, 2023, and the changes in 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 the 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 Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**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 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 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 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.

**Report on Summarized Comparative Information**

We have previously audited the Institute's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Renner and Company, CPA, P.C.

Alexandria, Virginia
August 30, 2024

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**INSTITUTE FOR FREE SPEECH**

**STATEMENT OF FINANCIAL POSITION**
**December 31, 2023 (with Comparative Information as of December 31, 2022)**

## ASSETS

| | 2023 | 2022 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 1,349,907 | $ 1,840,965 |
| Investments | 6,119,476 | 4,951,030 |
| Accounts receivable | 119,899 | 499 |
| Prepaid expenses | - | 1,745 |
| **TOTAL CURRENT ASSETS** | 7,589,282 | 6,794,239 |
| **PROPERTY AND EQUIPMENT, at cost, net** | 263,860 | 315,030 |
| **NONCURRENT ASSETS** | | |
| Right of use asset - operating lease | 1,293,537 | 1,474,486 |
| Right of use asset - copier | 1,107 | 4,427 |
| Security deposit | 14,524 | 13,974 |
| **TOTAL NONCURRENT ASSETS** | 1,309,168 | 1,492,887 |
| **TOTAL ASSETS** | $ 9,162,310 | $ 8,602,156 |

See Notes to Financial Statements.

**INSTITUTE FOR FREE SPEECH**

**STATEMENT OF FINANCIAL POSITION**
**December 31, 2023 (with Comparative Information as of December 31, 2022)**

**LIABILITIES AND NET ASSETS**

| | 2023 | 2022 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ 29,093 | $ 30,093 |
| Accrued expenses | 187,422 | 168,893 |
| Operating lease liability - office | 224,472 | 222,365 |
| Operating lease liability - copier | - | 3,324 |
| **TOTAL CURRENT LIABILITIES** | 440,987 | 424,675 |
| **LONG-TERM LIABILITIES** | | |
| Operating lease liability - office, net of current portion | 1,575,328 | 1,792,136 |
| Operating lease liability - copier, net of current portion | 1,111 | 1,111 |
| **TOTAL LONG-TERM LIABILITIES** | 1,576,439 | 1,793,247 |
| **TOTAL LIABILITIES** | 2,017,426 | 2,217,922 |
| **NET ASSETS WITHOUT DONOR RESTRICTION** | 7,144,884 | 6,384,234 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 9,162,310 | $ 8,602,156 |

See Notes to Financial Statements.

**INSTITUTE FOR FREE SPEECH**

**STATEMENT OF ACTIVITIES**
**Year Ended December 31, 2023 (with Comparative Information for the year ended December 31, 2022)**

| | 2023 | 2022 |
|---|---|---|
| **SUPPORT AND REVENUE** | | |
| Contributions | $ 2,734,532 | $ 3,157,682 |
| Attorney fees | 380,722 | 574,150 |
| Employee retention credit | 376,117 | - |
| Donated services | 180,945 | 179,706 |
| Rental income | 82,400 | 35,750 |
| Miscellaneous | 17,788 | 14,680 |
| Investment income | 316,783 | 72,068 |
| **TOTAL SUPPORT AND REVENUE** | 4,089,287 | 4,034,036 |
| **EXPENSES** | | |
| Program services | 3,088,034 | 2,878,362 |
| Management and general | 69,987 | 77,202 |
| Development | 170,616 | 165,179 |
| **TOTAL EXPENSES** | 3,328,637 | 3,120,743 |
| **CHANGE IN NET ASSETS** | 760,650 | 913,293 |
| **NET ASSETS WITHOUT DONOR RESTRICTION, beginning of year** | 6,384,234 | 5,470,941 |
| **NET ASSETS WITHOUT DONOR RESTRICTION, end of year** | $ 7,144,884 | $ 6,384,234 |

See Notes to Financial Statements.

**INSTITUTE FOR FREE SPEECH**

**STATEMENT OF FUNCTIONAL EXPENSES**
**Year Ended December 31, 2023 (with Summarized Comparative Information for the year ended December 31, 2022)**

| | 2023 | | | | | | | 2022 |
|---|---|---|---|---|---|---|---|---|
| | Program Services | | | | Supporting Services | | | |
| | Communication | Legal | Research and External Relations | Total Program | Management and General | Development | Total | Total |
| Salaries | $ 346,350 | $ 1,231,355 | $ 286,455 | $ 1,864,160 | $ 31,450 | $ 107,571 | $ 2,003,181 | $ 1,859,187 |
| Payroll taxes | 24,882 | 88,460 | 20,579 | 133,921 | 2,258 | 7,728 | 143,907 | 132,622 |
| Employee benefits | 37,276 | 132,526 | 30,830 | 200,632 | 3,386 | 11,577 | 215,595 | 156,254 |
| Rent | 43,047 | 153,042 | 35,603 | 231,692 | 3,909 | 13,370 | 248,971 | 211,610 |
| Donated services | 77,595 | 88,350 | 15,000 | 180,945 | - | - | 180,945 | 179,706 |
| Professional fees | 32,452 | 39,216 | 19,333 | 91,001 | 2,930 | 9,640 | 103,571 | 110,613 |
| Dues and subscriptions | 969 | 73,363 | 9,485 | 83,817 | 309 | 134 | 84,260 | 83,023 |
| Depreciation and amortization | 9,849 | 35,014 | 8,145 | 53,008 | 894 | 3,059 | 56,961 | 55,279 |
| Travel | 897 | 37,899 | 11,666 | 50,462 | 2,733 | 1,334 | 54,529 | 56,000 |
| Mailing, postage, and printing | 31,028 | 18,352 | 934 | 50,314 | 89 | 2,702 | 53,105 | 39,665 |
| Legal | - | 40,374 | - | 40,374 | - | 5,512 | 45,886 | 63,507 |
| Lobbying expenses | - | 4,250 | 27,419 | 31,669 | - | - | 31,669 | 17,000 |
| Accounting fees | - | - | - | - | 19,832 | - | 19,832 | 17,671 |
| Computer services | 2,819 | 10,023 | 2,332 | 15,174 | 256 | 876 | 16,306 | 18,952 |
| Marketing | 89 | 5,415 | 382 | 5,886 | 903 | 4,953 | 11,742 | 17,122 |
| Bank and processing fees | 1,985 | 7,057 | 1,641 | 10,683 | 181 | 616 | 11,480 | 393 |
| Miscellaneous | 1,709 | 6,077 | 1,414 | 9,200 | 155 | 531 | 9,886 | 60,144 |
| Meetings | 1,400 | 5,052 | 1,158 | 7,610 | 127 | 435 | 8,172 | 436 |
| Insurance | - | 6,393 | - | 6,393 | 252 | - | 6,645 | 5,459 |
| Telephone and internet | 1,098 | 3,905 | 908 | 5,911 | 100 | 341 | 6,352 | 4,928 |
| Grant expense | - | 5,156 | - | 5,156 | - | - | 5,156 | 7,500 |
| Conference | - | 2,975 | 1,770 | 4,745 | - | - | 4,745 | 7,694 |
| Supplies | 770 | 2,736 | 636 | 4,142 | 70 | 237 | 4,449 | 3,903 |
| Business meals | 158 | 981 | - | 1,139 | - | - | 1,139 | 4,500 |
| Branding | - | - | - | - | 128 | - | 128 | 124 |
| Licenses and fees | - | - | - | - | 25 | - | 25 | 584 |
| Loss on disposal | - | - | - | - | - | - | - | 6,822 |
| Interest | - | - | - | - | - | - | - | 25 |
| Total | $ 614,373 | $ 1,997,971 | $ 475,690 | $ 3,088,034 | $ 69,987 | $ 170,616 | $ 3,328,637 | $ 3,120,723 |

See Notes to Financial Statements.

**INSTITUTE FOR FREE SPEECH**

**STATEMENT OF CASH FLOWS**
**Year Ended December 31, 2023 (with Comparative Information for the year ended December 31, 2022)**

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash received from operations | | |
| Support and revenue | $ 3,472,159 | $ 3,777,245 |
| Interest income | 78,762 | 106,613 |
| Total cash received from operations | 3,550,921 | 3,883,858 |
| Cash disbursed by operations | | |
| Payment to suppliers and employees | 3,102,439 | 2,933,872 |
| Interest expense | - | 25 |
| Total cash disbursed by operations | 3,102,439 | 2,933,897 |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | 448,482 | 949,961 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of investments | 26,041,416 | 5,000,000 |
| Sale of investments | (26,971,841) | (9,629,032) |
| Purchase of property and equipment | (5,791) | (4,026) |
| **NET CASH USED BY INVESTING ACTIVITIES** | (936,216) | (4,633,058) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Payments on lease obligation | (3,324) | (7,388) |
| **NET DECREASE IN CASH** | (491,058) | (3,690,485) |
| **CASH AND CASH EQUIVALENTS, beginning of year** | 1,840,965 | 5,531,450 |
| **CASH AND CASH EQUIVALENTS, end of year** | $ 1,349,907 | $ 1,840,965 |
| **NON-CASH INVESTING AND FINANCING ACTIVITIES** | | |
| Unrealized gain in market value of investments | $ (224,665) | $ (67,321) |
| Increase in investment value | 224,665 | 67,321 |
| | $ - | $ - |

See Notes to Financial Statements.

**INSTITUTE FOR FREE SPEECH**

**STATEMENT OF CASH FLOWS**
**Year Ended December 31, 2023 (with Comparative Information for the year ended December 31, 2022)**

| | 2023 | 2022 |
|---|---|---|
| **RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES** | | |
| **CHANGE IN NET ASSETS** | $ 760,650 | $ 913,293 |
| **ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES** | | |
| Unrealized and realized gain on investments | (238,021) | (72,015) |
| Non-cash occupancy costs | (30,432) | 23,359 |
| Disposal of asset | - | 6,822 |
| Depreciation and amortization expense | 56,961 | 55,279 |
| | (211,492) | 13,445 |
| **CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING CASH** | | |
| **ASSETS** | | |
| Accounts receivable | (119,400) | (323) |
| Prepaid expenses | 1,745 | 26 |
| Security deposit | (550) | 2,500 |
| Escrow | - | (295) |
| | (118,205) | 1,908 |
| **LIABILITIES** | | |
| Accounts payable | (1,000) | 10,943 |
| Accrued expenses | 18,529 | 10,372 |
| | 17,529 | 21,315 |
| **NET CHANGES IN ASSETS AND LIABILITIES** | (100,676) | 23,223 |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | $ 448,482 | $ 949,961 |

See Notes to Financial Statements.

**NOTES TO FINANCIAL STATEMENTS**
**December 31, 2023 (with Comparative Information as of and for the year ended December 31, 2022)**

## 1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE

### Organization and Purpose

Institute for Free Speech (the Institute) is an independent, nonprofit organization incorporated in Virginia in November 2005 that promotes and defends the political rights to free speech, press, assembly, and petition guaranteed by the First Amendment through litigation, communication, research and education. The Institute's major program activities are as follows:

1. Litigation - The litigation program of the Institute pursues strategic litigation and files amicus briefs to defend the First Amendment rights to free political speech, press, assembly and petition.

2. Research and External Relations - The Institute publishes research on the effects of laws and regulations on the First Amendment rights to free political speech, press, assembly and petition. The Institute also tracks and analyzes proposed legislation and regulations at the federal and state levels that could affect these First Amendment rights.

3. Communication - The Institute communicates with and educates the public, legislators, organizations, and the media to enable every American to understand the importance of the First Amendment's speech freedoms. It communicates this information through published articles in newspapers, websites, and magazines, briefings of and interviews with journalists, appearances on television and radio, newsletters, and social media, an extensive website, and a blog.

### Significant Accounting Policies

#### Income Taxes

The Institute is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been granted public charity status. The Institute conducts no taxable activities. Accordingly, no provision for income taxes has been provided in the financial statements.

In accounting for uncertainty in income taxes, accounting standards require an entity to recognize the financial statement impact of a tax position when it is more-likely-than-not that the position will not be sustained upon examination. Management evaluated the Institute's tax positions and concluded there are no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

## 1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (CONTINUED)

### Significant Accounting Policies (Continued)

#### Basis of Accounting

The Institute prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Revenues are recognized in the period in which they are earned; expenses are recognized in the period in which they are incurred.

#### Summarized Information

The financial statements include certain summarized comparative information in total but not by each class of net assets. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

#### Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

#### Cash and Cash Equivalents

Cash consists of a checking account. The Institute considers as cash equivalents highly liquid investments which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase. As of December 31, 2023 and 2022, cash equivalents consisted of government money market funds maintained within the Institute's brokerage account.

#### Investments

The Institute's investment portfolio includes money market funds and bonds. Investments with readily determinable fair values are reflected at fair value.

Bonds are exposed to various risks such as market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

## 1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (CONTINUED)

### Significant Accounting Policies (Continued)

#### Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Institute provides for losses on accounts receivable using the allowance method. Management has determined that all significant receivables are collectible and, therefore, an allowance for doubtful accounts has not been established. Accounts receivable are considered past due if payments are not received within 30 days of the invoice date. Returns are recorded as accepted and accounts receivable deemed uncollectible are charged off based on individual credit evaluation and specific circumstances of the parties involved.

#### Property and Depreciation

All acquisitions of property and equipment in excess of $1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the appropriate fair value at the date of donation. Depreciation is computed using the straight-line method.

#### Intangible Assets

Intangible assets are carried at cost. Amortization is computed using the straight-line method based on the asset's estimated useful life. When the asset is retired or otherwise disposed of, the cost and related accumulated amortization are removed from the accounts, and any resulting gain or loss is recognized.

#### Classes of Assets

In accordance with U.S. GAAP, the Institute's net assets are classified into two categories: net assets without donor restriction and net assets with donor restriction.

##### Net Assets Without Donor Restriction

The Institute includes operating net assets which are available for the general operations of the Institute as net assets without donor restriction.

## 1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (CONTINUED)

### Significant Accounting Policies (Continued)

#### Classes of Assets (Continued)

##### Net Assets With Donor Restriction

The Institute reports gifts of cash and other restricted support if they are received with donor stipulations that limit the use of donated assets as net assets with donor restriction. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restriction.

Investment gains and losses earned on donor restricted funds held by the Institute are recorded as an increase or decrease in net assets without donor restriction.

#### Revenue Recognition

The Institute reports contributions with donor-imposed restrictions as net assets with donor restrictions; however, donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restriction, depending on the nature of the restriction. 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 statement of activities as net assets released from restrictions.

##### Disaggregation of Revenue

The Institute is dependent on the strength of its ability to solicit donations and grants from outside sources. The Institute recognizes revenue as it is received for financial reporting purposes. The Institute classifies revenue between grants and donations, and these categories are used to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

##### Performance Obligations

The Institute's revenue solely consists of donations and grants from outside sources. No performance obligations exist as of December 31, 2023.

## 1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (CONTINUED)

### Significant Accounting Policies (Continued)

#### Revenue Recognition (Continued)

##### Significant Judgments

The Institute's revenue is a result of donations and grants from independent outside sources. As a result, revenue is recognized as it is received.

#### Gifts-in-kind

Donated services are recorded at their estimated fair market value on the date of receipt. Donated services are recognized in the financial statements at their fair value if the services require specialized skills and the services would typically need to be purchased if not donated. In-kind contributions are reported in the statement of activities as both revenue and expense.

#### Adoption of New Accounting Standard

In June 2016, the Financial Accounting Standards Board issued ASC 326 *Financial Instruments - Credit Losses* effective for years beginning after December 15, 2022 that significantly changed how entities measure credit losses for most financial assets, including trade receivables. The guidance implemented a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Institute that are subject to this guidance were accounts receivable.

The Institute adopted the standard effective January 1, 2023 with no effect on beginning net assets without donor restrictions. The impact of the adoption resulted primarily in enhanced disclosures only.

#### Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, such as salaries, payroll taxes, employee benefits, rent, professional fees, dues and subscriptions, depreciation and amortization, travel, mailing, postage, and printing, computer services, marketing, bank and processing fees, miscellaneous, meetings, telephone and internet, and supplies have been allocated among the program and supporting services benefits based on level of effort or by department based on direct association.

## 1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (CONTINUED)

### Significant Accounting Policies (Continued)

#### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues during the reporting period. Actual results could differ from those estimates.

#### Liquidity and Availability of Assets

The Institute maintains a liquid cash balance in checking and money market accounts in an amount necessary to meet its anticipated expenditures for the next 30 days. Cash in excess of this amount is invested in short-term investments.

The Institute reconciles the balance of financial assets subject to donor restrictions monthly, based on restricted amounts used and received. Restricted cash and investments are separately identified and monitored as part of the Institute's monthly financial reporting process.

The Institute's financial assets available within one year to meet cash needs for general expenditures through December 31, 2024 are as follows:

| | |
|---|---|
| Financial Assets | |
| Cash | $ 1,349,907 |
| Investments | 6,119,476 |
| Accounts receivable | 119,899 |
| Financial assets available within one year to meet cash needs for general expenditures within one year | $ 7,589,282 |

## 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2023 and 2022 consisted of the following:

| | 2023 | 2022 |
|---|---|---|
| Operating account | $ 1,099,063 | $ 283,458 |
| Government money market funds | 250,844 | 1,557,507 |
| | $ 1,349,907 | $ 1,840,965 |

## 2. CASH AND CASH EQUIVALENTS (CONTINUED)

The Institute maintains an operating bank account. The balance is insured by the Federal Deposit Insurance Corporation. The Institute also maintains a brokerage account, which is insured by the Securities Investor Protection Corporation (SIPC). As of December 31, 2023 and 2022, the Institute's cash balances in excess of federal deposit insurance coverage totaled $811,628 and $28,712, respectively. As of December 31, 2023 and 2022, the Institute's cash equivalents in excess of SIPC protection totaled $0 and $1,057,507, respectively.

## 3. PROPERTY AND DEPRECIATION

Property and depreciation for the years ended December 31, 2023 and 2022 consisted of the following:

| | 2023 | | | |
|---|---|---|---|---|
| | Cost | Depreciation expense | Accumulated depreciation | Useful life (years) |
| Furniture, fixtures, and equipment | $ 107,925 | $ 19,831 | $ 76,894 | 3 - 5 |
| Leasehold improvements | 380,653 | 37,130 | 147,824 | 5 |
| | $ 488,578 | $ 56,961 | $ 224,718 | |

| | 2022 | | | |
|---|---|---|---|---|
| | Cost | Depreciation expense | Accumulated depreciation | Useful life (years) |
| Furniture, fixtures, and equipment | $ 102,135 | $ 18,149 | $ 57,064 | 3 - 5 |
| Leasehold improvements | 380,653 | 37,130 | 110,694 | 5 |
| | $ 482,788 | $ 55,279 | $ 167,758 | |

## 4. INVESTMENTS

Investments are recorded at fair value and consist of the following as of December 31, 2023 and 2022:

| | 2023 | | |
|---|---|---|---|
| | Cost | Fair Value | Unrealized Appreciation (Depreciation) |
| Government money market funds | $ 531,936 | $ 531,936 | $ - |
| US Treasury Bonds | 5,527,599 | 5,587,540 | 59,941 |
| | $ 6,059,535 | $ 6,119,476 | $ 59,941 |

| | 2022 | | |
|---|---|---|---|
| | Cost | Fair Value | Unrealized Appreciation (Depreciation) |
| US Treasury Bonds | $ 4,941,690 | $ 4,951,030 | $ 9,340 |

## 5. FAIR VALUE MEASUREMENTS

The Institute records investments based on fair value on a recurring basis. Financial accounting and reporting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The standard emphasizes that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the standards established a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Institute has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

## 5. FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Institute's assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets or liabilities.

The following summarizes investments, measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of December 31, 2023 and 2022:

| | 2023 | | |
|---|---|---|---|
| | Fair Value | Level 1 | Level 2 |
| Government money market funds | $ 531,936 | $ 531,936 | $ - |
| US Treasury Bonds | 5,587,540 | 597,150 | 4,990,390 |
| | $ 6,119,476 | $ 1,129,086 | $ 4,990,390 |

| | 2022 | | |
|---|---|---|---|
| | Fair Value | Level 1 | Level 2 |
| US Treasury Bonds | $ 4,951,030 | $ 4,951,030 | $ - |

## 6. OPERATING LEASE - COPIER

The Institute entered into an agreement to lease a copier machine under an operating lease which commenced in May 2019 and expires April 2024. The assets and liabilities under the lease are recorded at the lower of the present value of the minimum lease payments or the market value of the asset and will be amortized over its estimated useful life.

The Institute has used a discount rate of 4.27% to calculate the present value of the sum of lease payments. This rate is determined to be the borrowing rate as of the lease agreement execution date and reflects the Institute's risk-free rate. The future minimum lease payments in 2024 is $1,112.

## 6. OPERATING LEASE - COPIER (CONTINUED)

A reconciliation of the undiscounted cash payments to the operating lease liability for the year ended December 31, 2023 is as follows:

| | |
|---|---|
| Undiscounted future cash flows | $ 1,112 |
| Less: discount to present value | (1) |
| Operating lease liability | $ 1,111 |

## 7. NET ASSETS WITH DONOR RESTRICTION

The Institute maintained no net assets with donor restriction as of December 31, 2023 and December, 31, 2022, respectively.

## 8. RETIREMENT PLAN

The Institute maintains a 401K plan into which employees can contribute up to 85% of their compensation in pretax dollars, but subject to the Federal limits on the amount an employee may elect to defer under the plan ($22,500 in 2023 for employees under age 50). The Institute matches employee contributions up to 3% of an employee's salary. Contribution expense for the Institute totaled $42,161 and $39,833 for the years ended 2023 and 2022, respectively.

## 9. COMMITMENTS - OFFICE LEASE

### Operating Lease

The Institute entered into a lease agreement in June 2019 to lease office space in Washington, DC for eleven years with a commencement date of January 1, 2020. The monthly base rent at the start of the lease is $16,474 with an annual escalation in rent payments of 4%. The lease contains an early opt out at eight years and option to extend the term by five years. The first ten months of rent are also abated as part of the terms of the lease agreement.

The Institute has used a discount rate of 0.4% to calculate the present value of the sum of lease payments, which is its recorded lease liability. This rate is determined to be the borrowing rate as of the lease agreement execution date and reflects the Institute's risk-free rate.

The weighted average remaining lease term for the Institute's operating lease is 84 months. The weighted average discount rate used for the Institute's operating lease is 0.4%.

## 9. COMMITMENTS - OFFICE LEASE (CONTINUED)

The future minimum lease payments under the above lease is as follows:

| | |
|---|---|
| 2024 | $ 231,260 |
| 2025 | 240,510 |
| 2026 | 250,131 |
| 2027 | 260,136 |
| 2028 | 270,541 |
| Thereafter | 573,981 |
| | $ 1,826,559 |

A reconciliation of the undiscounted cash payments to the operating lease liability for the year ended December 31, 2023 is as follows:

| | |
|---|---|
| Undiscounted future cash flows | $ 1,826,559 |
| Less: discount to present value | (26,759) |
| Operating lease liability | $ 1,799,800 |

**Subleases**

The Institute entered into a sublease agreement for most of its office space that commenced June 1, 2023 and expires on October 31, 2027. Lease income for this sublease for the year ended December 31, 2023 totaled $54,900. The Institute has the right to offer the subtenant an option to extend the term of the sublease through December 31, 2030.

The Institute entered into another sublease agreement that commenced January 1, 2023 and expired on December 31, 2023. A subsequent agreement extended the term of the sublease through October 31, 2027, with an option for either party to cancel the sublease with 90 days' notice. The subtenant exercised its option to cancel the lease, which ended August 15, 2024. Lease income for this sublease for the year ended December 31, 2023 totaled $27,500.

## 10. RELATED PARTY TRANSACTIONS

The Institute has entered into an agreement with the Chairman of its Board of Directors for consulting services to provide legal services, assist the Institute's communications activities, including but not limited to media interviews, articles, blog posts and speeches, assist with research and external relations, including testimony, letters and speeches, assist fundraising activities and provide other services as requested. The original agreement expired December 31, 2011; however, it has been renewed through December 31, 2016, with automatic renewals on an annual basis unless cancelled in writing. The consulting services were $96,000 and $86,000 for the years ended December 31, 2023 and 2022, respectively.

## 11. CONCENTRATIONS

During 2023, the Institute received $2,225,000 or 52.94% of its total revenue from nine donors. During 2022, the Institute received $2,921,800 or 73.85% of its total revenue from fifteen donors. No contracts or pledges exist as a guarantee that these levels of contributions will continue.

## 12. DONATED SERVICES

The Institute receives donated professional fees for legal and communications from various companies. These donated professional fees have been recorded in the financial statements at their estimated fair value under the statement of activities. Due to the nature of these nonfinancial assets, the services were utilized in the period they were received and there were no donor restrictions imposed on them. Inputs used to measure the initial recognition of donated services consist of current market rates for services received. The following table outlines the activity for the years ended December 31, 2023 and 2022, respectively:

| | 2023 | 2022 |
|---|---|---|
| Legal | $ 88,350 | $ 97,557 |
| Communications | 77,595 | 82,149 |
| Research and external relations | 15,000 | - |
| | $ 180,945 | $ 179,706 |

## 13. SUBSEQUENT EVENTS

In preparing the financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through August 30, 2024, the date of the financial statements were available to be issued.