THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Financial Statements
With Independent Auditors' Report

December 31, 2023 and 2022

CAPINCROUSE LLP

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

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CAPINCROUSE LLP

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, 2023 and 2022, 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, 2023 and 2022, 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.

250 Monroe NW, Suite 400
Grand Rapids, MI 49503
505.5.CAPIN
capincrouse.com

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 12, 2024

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Statements of Financial Position

	December 31, 2023	December 31, 2022
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 4,433,336	$ 5,289,333
Investments	926,883	2,617,935
Promises to give	661,772	2,377,154
Inventory	29,735	30,044
Prepaid expenses and other assets	854,514	603,338
	6,906,240	10,917,804
Non-current assets:		
Promise to give, less current portion	120,668	106,500
Investments	14,945,449	12,477,180
Land, building and equipment–net	6,132,661	5,994,962
	21,198,778	18,578,642
Total Assets	$ 28,105,018	$ 29,496,446
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and other liabilities	$ 108,549	$ 510,622
Refundable advances	45,331	1,277,000
Total Liabilities	153,880	1,787,622
Net assets:		
Net assets without donor restrictions	16,143,840	15,261,040
Net assets with donor restrictions:		
Restricted by purpose or time	11,307,298	11,947,784
Restricted in perpetuity	500,000	500,000
	11,807,298	12,447,784
Total net assets	27,951,138	27,708,824
Total Liabilities and Net Assets	$ 28,105,018	$ 29,496,446

See notes to financial statements

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Statements of Activities

	Year Ended December 31,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Support:						
Contributions	$ 7,310,505	$ 2,302,242	$ 9,612,747	$ 6,961,449	$ 4,771,074	$11,732,523
Contributed nonfinancial assets	345,237	-	345,237	483,514	-	483,514
	7,655,742	2,302,242	9,957,984	7,444,963	4,771,074	12,216,037
Revenue:						
Investment income (loss)–net	2,786,479	37,215	2,823,694	1,015,539	(112,404)	903,135
Program fees	409,053	-	409,053	320,335	-	320,335
Other income	7,916	-	7,916	9,148	-	9,148
Sales	106,992	-	106,992	99,079	-	99,079
	3,310,440	37,215	3,347,655	1,444,101	(112,404)	1,331,697
Total Support and Revenue	10,966,182	2,339,457	13,305,639	8,889,064	4,658,670	13,547,734
Net Assets Released from from Restrictions and Reclassifications	2,979,943	(2,979,943)	-	2,361,748	(2,361,748)	-
Total Support, Revenue, Net Assets Released from Restrictions and Reclassifications	13,946,125	(640,486)	13,305,639	11,250,812	2,296,922	13,547,734
EXPENSES:						
Program services	10,769,301	-	10,769,301	10,178,275	-	10,178,275
Supporting activities:						
Management and general	848,201	-	848,201	978,813	-	978,813
Fundraising	1,445,823	-	1,445,823	1,162,937	-	1,162,937
Total Expenses	13,063,325	-	13,063,325	12,320,025	-	12,320,025
Change in Net Assets	882,800	(640,486)	242,314	(1,069,213)	2,296,922	1,227,709
Net Assets, Beginning of Year	15,261,040	12,447,784	27,708,824	16,330,253	10,150,862	26,481,115
Net Assets, End of Year	$16,143,840	$11,807,298	$27,951,138	$15,261,040	$12,447,784	$27,708,824

See notes to financial statements

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Statement of Functional Expenses

Year Ended December 31, 2023

	Program Services					Supporting Activities		
	Education	Research	General Education	Poverty Center	Total	Management and General	Fundraising	Total
Salaries and wages	$ 1,462,618	$ 709,025	$ 881,383	$ 310,739	$ 3,363,765	$ 306,629	$ 910,976	$ 4,581,370
Conferences and conventions	2,199,196	451,936	262,156	106,170	3,019,458	857	1,224	3,021,539
Contracted services	506,918	106,734	342,373	178,833	1,134,858	15,409	73,060	1,223,327
Grants and awards	110,010	501,561	-	-	611,571	-	-	611,571
Other	144,210	49,151	166,652	18,390	378,403	91,391	93,433	563,227
Travel	199,874	80,368	78,532	85,946	444,720	51,767	65,818	562,305
Advertising	28,305	-	461,058	-	489,363	-	988	490,351
Printing and duplicating	110,066	100,938	141,713	12,462	365,179	4,813	113,337	483,329
Depreciation	88,192	42,670	47,205	18,723	196,790	84,795	90,987	372,572
Honorariums	252,377	3,000	15,000	15,950	286,327	-	-	286,327
Equipment rental and maintenance	79,676	21,339	48,854	13,923	163,792	20,884	13,940	198,616
Unrelated business income tax	-	-	-	-	-	173,880	-	173,880
Postage and shipping	30,560	10,063	34,657	262	75,542	286	57,229	133,057
Occupancy	30,238	11,531	37,137	12,840	91,746	22,914	11,382	126,042
Supplies	26,226	5,421	24,790	2,405	58,842	8,104	4,733	71,679
Professional fees	3,505	-	-	-	3,505	50,810	-	54,315
Meals and entertainment	23,815	4,320	2,661	3,079	33,875	4,211	3,029	41,115
Furniture, fixtures, and equipment	7,485	9,206	4,968	3,207	24,866	5,638	2,800	33,304
Telephone	9,076	3,151	3,236	3,604	19,067	5,813	2,887	27,767
Publications	-	-	7,533	99	7,632	-	-	7,632
Total Expenses	$ 5,312,347	$ 2,110,414	$ 2,559,908	$ 786,632	$ 10,769,301	$ 848,201	$ 1,445,823	$ 13,063,325

See notes to financial statements

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Statement of Functional Expenses

	Year Ended December 31, 2022							
	Program Services					Supporting Activities		
	Education	Research	General Education	Media	Total	Management and General	Fundraising	Total
Salaries and wages	$ 1,201,402	$ 758,488	$ 831,983	$ 238,196	$ 3,030,069	$ 410,939	$ 715,725	$ 4,156,733
Conferences and conventions	2,107,943	350,024	113,228	14,599	2,585,794	945	4,955	2,591,694
Contracted services	416,098	136,673	316,489	231,426	1,100,686	14,881	75,707	1,191,274
Advertising	26,887	5,563	529,358	339,773	901,581	-	50	901,631
Other	208,278	60,775	128,113	24,413	421,579	115,143	87,387	624,109
Grants and awards	218,460	268,733	-	-	487,193	8,546	-	495,739
Travel	164,875	85,598	45,099	46,079	341,651	45,618	59,547	446,816
Printing and duplicating	76,642	59,468	118,350	9,515	263,975	20,889	115,640	400,504
Honorariums	276,326	64,570	15,447	-	356,343	-	-	356,343
Depreciation	79,855	40,722	45,855	15,090	181,522	82,836	36,153	300,511
Equipment rental and maintenance	32,086	67,406	46,747	14,539	160,778	21,809	15,109	197,696
Unrelated business income tax	-	-	-	-	-	185,588	-	185,588
Occupancy	52,221	18,871	27,578	10,015	108,685	26,169	11,671	146,525
Postage and shipping	5,467	14,123	32,698	446	52,734	1,647	31,771	86,152
Publications	247	165	8,314	56,608	65,334	-	-	65,334
Supplies	12,451	10,285	17,610	2,653	42,999	5,243	3,746	51,988
Meals and entertainment	15,688	16,493	2,262	480	34,923	2,409	1,052	38,384
Furniture, fixtures, and equipment	7,949	4,285	13,517	1,193	26,944	7,848	3,425	38,217
Professional fees	527	4,052	-	2,895	7,474	26,682	-	34,156
Telephone	3,930	1,512	897	1,672	8,011	1,621	999	10,631
Total Expenses	$ 4,907,332	$ 1,967,806	$ 2,293,545	$ 1,009,592	$ 10,178,275	$ 978,813	$ 1,162,937	$ 12,320,025

See notes to financial statements

THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

Statements of Cash Flows

	Year Ended December 31, 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 242,314	$ 1,227,709
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	372,572	300,511
Net unrealized and realized gain on investment	(1,795,616)	(215,004)
Changes in operating assets and liabilities:		
Promises to give	1,701,214	1,007,163
Inventory	309	5,366
Prepaid expenses and other assets	(251,176)	(272,301)
Accounts payable and other liabilities	(402,073)	52,989
Refundable advances	(1,231,669)	(2,201,891)
Net Cash Used by Operating Activities	(1,364,125)	(95,458)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(510,271)	(179,161)
Purchase of investments	(3,170,865)	(14,548,800)
Proceeds from the sale of investments	4,189,264	8,237,058
Net Cash Provided (Used) by Investing Activities	508,128	(6,490,903)
Change In Cash and Cash Equivalents	(855,997)	(6,586,361)
Cash and Cash Equivalents, Beginning of Year	5,289,333	11,875,694
Cash and Cash Equivalents, End of Year	$ 4,433,336	$ 5,289,333
SUPPLEMENTAL DISCLOSURES		
Disposal of fully depreciated property and equipment	$ 425,170	$ -

See notes to financial statements

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. As of December 31, 2023 and 2022, there was approximately $3,350,000 and $4,516,000 of uninsured cash and cash equivalents, respectively.

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 expected to be collected in the next year was $661,772 and $2,377,154 as of December 31, 2023 and 2022, respectively. Promises to give expected to be collected in one to five years were $120,668 and $106,500 as of December 31, 2023 and 2022, respectively. There is no discount recorded as of December 31, 2023 and 2022, as it was deemed immaterial.

INVENTORY

Inventory consists primarily of bookstore supplies. Inventory is valued at the lower of cost or net realizable value for December 31, 2023 and 2022, with cost determined on the average cost method.

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.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

Investments held at cost include money market funds and certificates of deposit with an original maturity date greater than 90 days held within the investment portfolio. The Institute holds Level 1, Level 2 and Level 3 investments. Level 1 investments include mutual funds. Level 2 investments include fixed income 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.

REFUNDABLE ADVANCES

Refundable advances consist of conditional grants whereas funds are received from the donor in advance of conditions being met. A grant is considered conditional when the use of the grant funds are conditioned on future events. Once conditions are met, it is recorded as contribution revenue. Funds received from the donor in advance of the conditions being met totaled $45,331 and $1,277,000 at December 31, 2023 and 2022, respectively, which are recorded as a refundable advance on the statements of financial position.

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 7.

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 is met in the same reporting period in which the support is recognized as revenue. 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.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets consist of an ongoing in-kind grant for online promotion of its programs. These services are reported as contributed nonfinancial assets at their estimated fair value as of the date of the contribution and expensed as promotional messaging occurs. The services are valued based upon estimates of what would be received for providing the services in their principal market at the time the services are contributed by the donor. These services are only used for program service purposes.

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, 2023 and 2022.

ADVERTISING

The Institute expenses advertising costs as incurred. Total advertising costs were $490,350 and $901,631 including donated advertising of $345,237 and $483,514, as of December 31, 2023 and 2022, 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 $173,880 and $185,588, as of December 31, 2023 and 2022, 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:

	December 31,	
	2023	2022
Financial assets:		
Cash and cash equivalents	$ 4,433,336	$ 5,289,333
Promises to give	782,440	2,483,654
Investments	15,872,332	15,095,115
Financial assets, at year end	21,088,108	22,868,102

3. LIQUIDITY AND AVAILABILITY OF RESOURCES, continued:

The following table represents liquidity, continued:

	December 31, 2023	December 31, 2022
Less those unavailable for general expenditures within one year, due to:		
Common stock of unregistered company	(6,279,000)	(5,065,000)
Restrictions by donors with time and purpose restrictions subject to release beyond one year	(11,120,526)	(10,045,630)
	(17,399,526)	(15,110,630)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,688,582	$ 7,757,472

The Institute has certain donor-restricted net assets that are available for general expenditures within one year of December 31, 2023 and 2022, 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 are reported net of any estimated endowment appropriations.

4. LAND, BUILDING, AND EQUIPMENT:

Land, building and equipment consists of the following:

	December 31, 2023	December 31, 2022
Land	$ 1,080,000	$ 1,080,000
Building	6,084,949	6,082,839
Furniture, fixtures, and equipment	2,276,436	2,303,498
Library books and reference materials	121,054	121,054
	9,562,439	9,587,391
Accumulated depreciation	(3,429,778)	(3,592,429)
Total land, building and equipment– net	$ 6,132,661	$ 5,994,962

5. INVESTMENTS AND FAIR VALUE MEASUREMENT:

Investments, at cost and fair value, consists of the following:

	December 31, 2023	December 31, 2022
Investments held at cost:		
Money market funds	$ 1,167,725	$ 89,233
Certificates of deposit	1,126,883	2,617,935
	2,294,608	2,707,168
Investments held at fair value (Level 1):		
Mutual funds:		
Large blend	2,095,838	1,902,212
Large growth	686,076	544,751
Intermediate-term bond	-	1,168,238
High-yield bond	-	173,154
	2,781,914	3,788,355
Investments held at fair value (Level 2):		
Fixed income	4,516,810	3,534,592
Investments held at fair value (Level 3):		
Common stock of unregistered company	6,279,000	5,065,000
	$ 15,872,332	$ 15,095,115

Statements of financial position:

	December 31, 2023	December 31, 2022
Current investments	$ 926,883	$ 2,617,935
Long-term investments	14,945,449	12,477,180
	$ 15,872,332	$ 15,095,115

6. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	December 31, 2023	December 31, 2022
Restricted by purpose or time:		
Education	$ 7,303,256	$ 9,142,166
Campaign for building and program enhancement	2,000,000	2,000,000
Media/Poverty Center	1,107,704	-
Time restricted funds	434,106	650,634
Research	382,496	87,295
Novak awards (endowment)–accumulated earnings	79,736	67,689
	11,307,298	11,947,784
Restricted in perpetuity:		
Novak awards (endowment)–original gift	500,000	500,000
	$ 11,807,298	$ 12,447,784

7. 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, 2023 and 2022. 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.

7. ENDOWMENT FUNDS, continued:

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, 2023	December 31, 2022
Accumulated earnings	$ 79,736	$ 67,689
Restricted in perpetuity	500,000	500,000
Total	$ 579,736	$ 567,689

Changes in endowment net assets with donor restrictions for the year ended December 31, 2023:

	Accumulated Earnings	Original Gift Amount	Total
Endowment net assets, beginning of year	$ 67,689	$ 500,000	$ 567,689
Investment gains	37,215	-	37,215
Appropriation for expenditure	(25,168)	-	(25,168)
Endowment net assets, end of year	$ 79,736	$ 500,000	$ 579,736

7. ENDOWMENT FUNDS, continued:

Changes in endowment net assets with donor restrictions for the year ended December 31, 2022:

	Accumulated Earnings	Original Gift Amount	Total
Endowment net assets, beginning of year	$ 205,185	$ 500,000	$ 705,185
Investment losses	(112,404)	-	(112,404)
Appropriation for expenditure	(25,092)	-	(25,092)
Endowment net assets, end of year	$ 67,689	$ 500,000	$ 567,689

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, 2023 and 2022.

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.

8. RETIREMENT PLAN:

The Institute has an employee benefit plan (the 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, 2023 and 2022, the Institute made discretionary contributions of $40,000 and $120,000, respectively. The Institute matches 100% of a participant's elective contributions up to the first $5,000. Total matching contributions to the plan were $186,445 and $99,906 for the years ended December 31, 2023 and 2022, respectively. The Institute's obligation is limited to contributions made for the benefit of participating employees.

9. CONCENTRATIONS:

One funding source provided approximately 10% of total revenue for the year ended December 31, 2023. One funding source provided approximately 27% of total revenue for the year ended December 31, 2022.

10. RELATED PARTY TRANSACTIONS:

The Institute received $1,139,027 and $345,750, in contributions from members of the board of directors during the years ended December 31, 2023 and 2022, respectively.

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through June 12, 2024, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.