

INSTITUTE FOR CITIZENS AND SCHOLARS

FINANCIAL STATEMENTS

June 30, 2021

INSTITUTE FOR CITIZENS AND SCHOLARS

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INDEPENDENT AUDITORS' REPORT

To The Board of Trustees of
Institute for Citizens and Scholars

Report on the Financial Statements

We have audited the accompanying financial statements of Institute for Citizens and Scholars (the "Organization") which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Mercadieu, P.C.

Certified Public Accountants

October 18, 2021

INSTITUTE FOR CITIZENS AND SCHOLARS

STATEMENT OF FINANCIAL POSITION

June 30, 2021

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,212,115
Unconditional promises to give, current portion	3,261,170
Prepaid expenses and other current assets	<u>33,335</u>
Total Current Assets	5,506,620

Investments

Investments	10,850,089
Unconditional promises to give, noncurrent portion	2,495,914
Property and equipment, at cost, net of accumulated depreciation	81,750
Security deposits	<u>68,163</u>
Total Assets	<u>\$ 19,002,536</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	\$ 342,732
Fellowships payable	1,729,750
Accrued vacation	<u>125,618</u>
Total Current Liabilities	<u>2,198,100</u>

Net Assets

Without donor restrictions	4,280,470
With donor restrictions	<u>12,523,966</u>
Total Net Assets	<u>16,804,436</u>
Total Liabilities and Net Assets	<u>\$ 19,002,536</u>

INSTITUTE FOR CITIZENS AND SCHOLARS

STATEMENT OF ACTIVITIES Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Other Revenue			
Public Support			
Government	\$ 796,326	\$ -	\$ 796,326
Foundations	82,000	1,976,673	2,058,673
Individuals	1,245,114	123,281	1,368,395
Net assets released from restrictions	7,743,435	(7,743,435)	-
Total Public Support	<u>9,866,875</u>	<u>(5,643,481)</u>	<u>4,223,394</u>
Other Revenue			
Service fees	239,326	-	239,326
Investment return	753,305	174,202	927,507
Total Public Support and Other Revenue	<u>10,859,506</u>	<u>(5,469,279)</u>	<u>5,390,227</u>
Expenses			
Program services			
Higher education	2,432,732	-	2,432,732
Teaching and leadership	4,340,374	-	4,340,374
Civics education	1,426,258	-	1,426,258
Total Program Services	<u>8,199,364</u>	<u>-</u>	<u>8,199,364</u>
Supporting Services			
Management and general	1,282,090	-	1,282,090
Fundraising	792,461	-	792,461
Total Supporting Services	<u>2,074,551</u>	<u>-</u>	<u>2,074,551</u>
Total Expenses	<u>10,273,915</u>	<u>-</u>	<u>10,273,915</u>
Change in net assets	585,591	(5,469,279)	(4,883,688)
Net assets, beginning of year	3,694,879	17,993,245	21,688,124
Net assets, end of year	<u>\$ 4,280,470</u>	<u>\$ 12,523,966</u>	<u>\$ 16,804,436</u>

INSTITUTE FOR CITIZENS AND SCHOLARS

STATEMENT OF FUNCTIONAL EXPENSES Year Ended June 30, 2021

	Program Services				Supporting Services			Total Expenses
	Higher Education	Teaching and Leadership	Civics Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Grants and fellowships to individuals and organizations	\$ 1,628,706	\$ 1,983,050	\$ 313,088	\$ 3,924,844	\$ -	\$ -	\$ -	\$ 3,924,844
Salary, fringe benefits, and payroll taxes	597,824	1,375,717	756,063	2,729,604	774,984	674,697	1,449,681	4,179,285
Service and professional fees	141,262	871,269	325,555	1,338,086	213,694	44,310	258,004	1,596,090
Travel and accommodations	17,251	32,656	1,825	51,732	5,073	1,997	7,070	58,802
Printing, postage, delivery, copying and other office expenses	1,329	4,057	-	5,386	61,076	12,494	73,570	78,956
Other office and business expenses	46,360	73,625	29,727	149,712	220,013	58,963	278,976	428,688
Total expenses before depreciation	2,432,732	4,340,374	1,426,258	8,199,364	1,274,840	792,461	2,067,301	10,266,665
Depreciation	-	-	-	-	7,250	-	7,250	7,250
Total Expenses	<u>\$ 2,432,732</u>	<u>\$ 4,340,374</u>	<u>\$ 1,426,258</u>	<u>\$ 8,199,364</u>	<u>\$ 1,282,090</u>	<u>\$ 792,461</u>	<u>\$ 2,074,551</u>	<u>\$ 10,273,915</u>

INSTITUTE FOR CITIZENS AND SCHOLARS

STATEMENT OF CASH FLOWS

Year Ended June 30, 2021

Cash Flows from Operating Activities	
Change in net assets	\$ (4,883,688)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	7,250
Realized gain on sale of investments	(117,617)
Unrealized gain on investments	(686,448)
Amortization of U.S. Treasuries discount	(7,220)
Donated securities	(32,700)
Increase (decrease) in cash from	
Unconditional promises to give	1,069,967
Prepaid expenses and other current assets	23,462
Security deposits	20,330
Accounts payable and accrued expenses	(285,489)
Fellowships payable	16,500
Due from Graduate School	76,923
Deferred revenue	(42,500)
Accrued vacation	(21,216)
Refundable advance - Paycheck Protection Program	(91,569)
Net cash from operating activities	<u>(4,954,016)</u>
Cash flows from Investing Activities	
Purchases of property and equipment	(36,251)
Purchases of investments	(29,779,714)
Proceeds from sales of investments	<u>35,406,460</u>
Net cash from investing activities	<u>5,590,495</u>
Net change in cash and cash equivalents	636,479
Cash and cash equivalents, beginning of year	<u>1,575,636</u>
Cash and cash equivalents, end of year	<u>\$ 2,212,115</u>
Supplemental Disclosure of Cash Flow Information:	
Donated securities	<u>\$ 32,700</u>

INSTITUTE FOR CITIZENS AND SCHOLARS

NOTES TO FINANCIAL STATEMENTS

A. NATURE OF ORGANIZATION

Institute for Citizens and Scholars (the "Organization") is a not-for-profit charitable organization located in Princeton, New Jersey. The primary mission of the Organization is to prepare leaders and engage networks of people and organizations to meet urgent education challenges. The overarching goal is to shape an informed, productively engaged, and hopeful citizenry. The Organization's mission reflects its twin commitments: to strengthen American education and to rebuild a flourishing civil society.

As a fellowship organization, the Organization focuses primarily on Higher Education Fellowships, Teaching and Leadership Fellowships, and a Civics Education project.

The Higher Education Fellowships include a suite of fellowships that support the development of future leaders at a variety of career stages in several critical fields. These programs strengthen the representation of diverse groups in the professorate, support the work of emerging scholars and young faculty in the social sciences and humanities, and prepare experts for the United States Foreign Service.

The Teaching and Leadership Fellowships represent a major effort to recruit, prepare and mentor school leaders as well as candidates for teaching in high-need subjects like mathematics and the sciences, transform their clinical preparation for teaching, and support their commitment to long-term careers in high-need urban and rural schools.

The Civics Education project, known as the Civics Spring Project, will catalyze a broad array of organizations to increase civic learning opportunities for young people. The Civic Spring Project will increase civic knowledge, skills and engagement by creating incentives, support and rewards for locally defined youth civic engagement initiatives aimed at meeting acute needs.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions - net assets not subject to donor-imposed stipulations, and therefore are expendable for operating purposes. Net assets without donor restrictions include both designated and undesignated funds.
- Net assets with donor restrictions - net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or by the passage of time. Net assets with donor restrictions include donor-restricted endowment funds requiring investment of a gift in perpetuity or for a specified term as well as the investment return thereon until the returns are appropriated for expenditure.

INSTITUTE FOR CITIZENS AND SCHOLARS

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

Cash equivalents include time deposits and highly liquid debt instruments with original maturities of ninety days or less, and exclude money market funds included in the investment portfolio.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at fair value in the statement of financial position. Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the investment in an orderly transaction between market participants on the measurement date. In determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets carried at fair value are classified and disclosed in one of the following three categories:

- Level 1 — Quoted prices for identical assets and liabilities traded in active exchange markets.
- Level 2 — Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.
- Level 3 — Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. The Organization does not have any Level 3 investments.

Investment return, including interest, dividends and realized and unrealized gains and losses, net of investment expenses, are reported in the statement of activities as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulations or by law.

Contributions, Promises to Give, and Revenue Recognition

Contributions and foundation grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

INSTITUTE FOR CITIZENS AND SCHOLARS

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions, Promises to Give, and Revenue Recognition (Continued)

Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as non-current promises to give and are recorded at the present value of their net realizable value, using risk-free prevailing interest rates applicable to the years in which the promises are received to discount the amounts.

In estimating the fair value of unconditional promises to give, management considers promises of \$5,000 or more individually. The relationship with the donor, the donor's past history of making timely payments, and the donor's overall creditworthiness are considered and incorporated into a fair value measurement computed using present value techniques. Unconditional promises to give less than \$5,000 are measured in the aggregate using present value techniques, and management considers historical trends of collection, the type of donor (individual, corporation/foundation), general economic conditions in the geographical area in which the majority of the donors live, the Organization's policies concerning enforcement of promises to give, and market interest rate assumptions. The change in amortization of the discount for the time value of money, computed using the effective interest rate method, is reported as contribution revenue.

Contributions of donated noncash assets are recorded at fair value in the period received.

The Organization has chosen to account for grant revenue from government agencies, including the United States Small Business Administration's ("U.S. SBA") Paycheck Protection Program ("PPP") under the conditional contribution method as defined by *ASC Subtopic 958-605* and is recorded as a refundable advance when received. The Organization considers the conditions for revenue recognition to have been met when the qualifying program expenditures have been incurred.

Service fees consist of monies received under shared service arrangements with the Ford Foundation and are recognized as income as such services are provided.

The Organization's revenue disaggregated according to timing of when revenue is recognized is as follows:

Revenue recognized at a point in time (ASC 606)	
Service fees	\$ 239,326
Contributions and other revenue not subject to ASC 606	
Government	796,326
Foundations	2,058,673
Individuals	1,368,395
Investment return	927,507
Total contributions and other revenue	5,150,901
Total Revenue	\$ 5,390,227

INSTITUTE FOR CITIZENS AND SCHOLARS

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment acquired are recorded at cost. It is the Organization's policy to capitalize expenditures for individual items costing in excess of \$5,000. Lesser amounts are expensed. Property and equipment are depreciated over the useful lives of the related assets using the straight-line method, with a half year depreciation recognized in the years of acquisition and disposal. Repairs and maintenance that do not extend the useful lives of the related assets are expensed as incurred.

Fellowships and Grants

Fellowships are recorded as expenses at the time the individual accepts the award and are generally payable within one year.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Income generated by activities that would be considered unrelated to the Organization's mission would be subject to tax, which, if incurred, would be recognized as a current expense. No such tax has been recognized as of June 30, 2021.

U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

The Organization did not record any interest or penalties on uncertain tax positions in the accompanying statement of financial position as of June 30, 2021, or in the accompanying statement of activities for the year then ended. If the Organization were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes.

Functional Expense Allocation

The costs of providing program services and support services of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain operating costs have been allocated among the functional categories according to the reasonable benefit that the programs derived from these expenses. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas based on time and effort.

Recently Adopted Accounting Pronouncement

The Organization has adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as of and for the year ended June 30, 2021. The adoption of the ASU did not have a material impact on the Organization's financial statements for the year ended June 30, 2021.

INSTITUTE FOR CITIZENS AND SCHOLARS

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

ASU 2016-02, *Leases (Topic 842)*, issued in February 2016, requires an entity (lessee) that leases assets for a term exceeding a one-year period to recognize a right-of-use asset and corresponding lease liability on the statement of financial position. ASU 2016-02 will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under the legacy lease accounting guidance. ASU 2016-02 introduces limited changes to the lessor accounting model, none of which rise to the same level of significance as the changes made to the lessee accounting model. ASU 2016-02 also requires entities to disclose in the footnotes to their financial statements information about the amount, timing and uncertainty for the payments they make for lease agreements.

In November 2019, the FASB issued ASU 2019-10, and in June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers and Topic 842 (Leases) - Effective Dates for Certain Entities*, both of which deferred the effective date of ASU 2016-02 by an additional year. The updated standard will be effective for the Organization for the year ending June 30, 2023.

ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contribution Nonfinancial Assets*, issued in September 2020, which is intended to increase the transparency regarding the measurement of contributed nonfinancial assets recognized by not-for-profit entities, as well as the amount of those contributions used in a not-for-profit entity's programs and other activities. The amendments in this Update require that the Organization present contributed nonfinancial assets as a separate line item in the statement of activities, apart from the contributions of cash and other financial assets. The amendments also require the Organization to disclose the amount of contributed nonfinancial assets recognized within the statement of activities by a category that depicts the type of contributed nonfinancial assets. This ASU is effective for the Organization for the year ending June 30, 2022.

C. ENDOWMENT POLICY

The Organization's endowment consists of five individual funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") to require standard care that is reasonable and prudent over its endowed funds. The Board of Trustees also interpreted the UPMIFA as requiring the investments held in an endowment fund consisting of the original gifts and all accrued investment income thereon, to be classified as net assets with donor restrictions until appropriated for expenditure by the Board of Trustees, unless stated otherwise in the gift instrument.

Current spending from the endowment equals interest and investment income net of fees, and net realized and unrealized gains. Funds from earnings on net assets with donor restrictions appropriated for expenditure are expended according to donor restrictions and are classified as net assets released from restrictions on the accompanying statement of activities.

The Board of Trustees has adopted the investment objective of preserving the endowment's principal by investing in high quality instruments. The return on endowment funds includes dividends, interest, capital gains/losses, and expenses. The holdings must adhere to asset allocation ranges in the Organization's Investment Policy Statement. The securities held must be appropriate for the objectives selected under the Organization's investment management process.

INSTITUTE FOR CITIZENS AND SCHOLARS

NOTES TO FINANCIAL STATEMENTS

C. ENDOWMENT POLICY (CONTINUED)

Changes in endowment net assets with donor restrictions for the year ended June 30, 2021, are as follows:

Invested endowment balance, June 30, 2020	\$ 1,596,603
Interest and investment income	29,917
Net appreciation (realized and unrealized)	348,325
Net investment return	378,242
Appropriated for expenditure	(378,242)
Invested endowment balance, June 30, 2021	<u>\$ 1,596,603</u>

D. NET ASSETS

Without Donor Restrictions

The Organization's Board of Trustees has chosen to place a designation on a portion of the net assets without donor restrictions:

Pennsylvania Teaching Fellowship	\$ 565,102
Undesignated	3,715,368
Total	<u>\$ 4,280,470</u>

The board-designated net assets presented above pertain to the Pennsylvania Teaching Fellowship. As the program incurs expenses, the Organization allocates the expenses against both the purpose restricted funds and board designated funds that were established to fund the program. The total spending of board designated net assets was \$293,661 for the year ended June 30, 2021.

With Donor Restrictions

Net assets with donor restrictions as of June 30, 2021, are restricted for the following purposes or periods:

Purpose restricted:	
Teaching and Leadership Fellowships	\$ 7,546,020
Higher Education Fellowships	2,900,435
Other awards and prizes	480,908
Subtotal	<u>10,927,363</u>
Endowments given in perpetuity	
Humanities Initiatives Fund	603,609
Richard W. Couper Humanities Initiative Funds	400,000
Taplin Endowment	379,825
Goheen Endowment	120,375
General Endowment	92,794
Subtotal	<u>1,596,603</u>
Total net assets with donor restrictions	<u>\$ 12,523,966</u>

The earnings on the endowments are to be used for various program initiatives as stipulated by the donors.

Net assets totaling \$7,743,435 were released from donor restrictions for the year ended June 30, 2021, and represent expenses incurred to satisfy donor restrictions or other events specified by the donors.

INSTITUTE FOR CITIZENS AND SCHOLARS

NOTES TO FINANCIAL STATEMENTS

E. AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure within one year of the statement of financial position date comprise the following:

Cash and cash equivalents	\$ 2,212,115
Unconditional promises to give, current portion	3,261,170
Investments	10,850,089
Less: donor-restricted portion of unconditional promises to give and investments	<u>(10,028,054)</u>
Financial assets available to meet general expenditures	<u>\$ 6,295,320</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures come due. The Organization invests cash in excess of operating requirements in its investment portfolio. Although the Organization's investments are intended to be held to maturity or for long-term growth purposes, they are available to be liquidated to fund general operations and unanticipated liquidity needs should the need arise.

F. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in a financial institution with a branch located in Plainsboro, New Jersey. Certain balances are insured by the Federal Deposit Insurance Corporation.

The Organization maintains its investment balances in several financial institutions. The balances are insured by the Securities Investor Protection Corporation ("SIPC") up to \$500,000 per customer. The SIPC does not protect investors from market risks.

As of June 30, 2021, approximately 78% of the Organization's gross unconditional promises to give were from four entities.

G. INVESTMENTS

Investments whose fair values are measured on a recurring basis of as June 30, 2021 are as follows:

	<u>Costs</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Cash equivalents	\$ 507,223	\$ 507,223	\$ -
Mutual funds	8,891,596	10,342,867	1,451,271
Total	<u>\$ 9,398,819</u>	<u>\$ 10,850,090</u>	<u>\$ 1,451,271</u>

Investment return consists of the following for the year ended June 30, 2021:

Interest and dividend income	\$ 133,682
Amortization of U.S. treasury strips discounts	7,220
Realized gain on sale of investments	117,617
Unrealized gain on investments	686,448
Less: investment expenses	<u>(17,460)</u>
Total investment return	<u>\$ 927,507</u>

INSTITUTE FOR CITIZENS AND SCHOLARS

NOTES TO FINANCIAL STATEMENTS

H. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following as of June 30, 2021:

Teaching and Leadership Fellowships	\$	4,010,627
Higher Education Fellowships		1,372,224
Civics Education		250,000
Annual Fund		145,000
Other		1,217
Total unconditional promises to give		<u>5,779,068</u>
Less discounts to net present value		(21,984)
Net unconditional promises to give	\$	<u><u>5,757,084</u></u>

Unconditional promises to give in the amount of \$2,495,914 due after June 30, 2021, are discounted at varying short-term treasury rates.

I. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2021:

Furniture and equipment	<u>Life/Years</u>	\$	96,820
Less: accumulated depreciation	3-5		(15,070)
Net property and equipment		\$	<u><u>81,750</u></u>

J. CORONAVIRUS OUTBREAK IMPACT

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, to date, the Organization continues to operate and does not anticipate that the impacts of the pandemic will impact its ability to continue as a going concern.

INSTITUTE FOR CITIZENS AND SCHOLARS

NOTES TO FINANCIAL STATEMENTS

J. CORONAVIRUS OUTBREAK IMPACT (CONTINUED)

In May 2020, the Organization entered into a term note agreement as part of the United States Small Business Administration's (the "SBA") Paycheck Protection Program (PPP). The funds were used to retain employees, as well as for rent and utilities. The loan was for a principal sum of \$600,707 and bears interest at a rate of 1% per annum payable over a two-year period after a six-month interest and principal deferred period. The SBA loan may be forgiven if certain criteria are met. The Organization expects to meet the PPP's eligibility criteria and has determined that the PPP loan represents, in substance, a loan that is expected to be forgiven, and has therefore chosen to account for the PPP loan as a conditional contribution as further described in Note B. During the year ended June 30, 2021, the Organization has determined that it met the conditions for forgiveness of the loan by incurring qualifying program expenditures in the amount of \$91,569, which is reflected as public support from government entities in the statement of activities. The Organization previously determined that it met the conditions for forgiveness of the remaining \$509,138 in the year ending June 30, 2020. The Organization has submitted its request to the SBA for formal discharge of the loan and expects to receive notification of forgiveness during the year ending June 30, 2022.

In February 2021, the Organization entered into a second term note agreement as part of the SBA's PPP. The funds have been and will continue to be used to retain employees, as well as for rent and utilities. The loan is for a principal sum of \$704,757, and bears interest at a rate of 1% per annum payable over a five-year period after a six-month interest and principal deferred period. The SBA loan may be forgiven if certain criteria are met. The Organization expects to meet the PPP's eligibility criteria and has accounted for the loan in a manner consistent with the first PPP loan it received during the year ended June 30, 2020. During the year ended June 30, 2021, the Organization has determined that it met the conditions for forgiveness of the loan by incurring qualifying program expenditures in the full amount of \$704,757, which is reflected as public support from government entities in the statement of activities. The Organization expects to apply for and receive formal notification of forgiveness during the year ending June 30, 2022.

K. COMMITMENTS AND CONTINGENCIES

Certain private foundation grants are subject to audit by the granting agencies.

The Organization leases office space under a non-cancelable operating lease that provides for minimum annual rental payments through the year ending June 30, 2030.

L. RETIREMENT PLAN

The Organization has a contributory defined contribution retirement plan under Internal Revenue Code Section 403(b). Employees that meet certain eligibility criteria are eligible to participate. Employees are fully vested in the plan when they become eligible to participate. The Organization matches employee contributions up to 10% of the employee's salary, provided the employee contributes a minimum of 5% of their salary to the plan. The Organization's contribution to the plan for the year ended June 30, 2021, was \$282,125. The plan is administered by TIAA.

M. RELATED PARTIES

Total gifts and pledges from various board members were \$506,052 for the year ended June 30, 2021. Of the total gifts and pledges, including those made in prior years, there was no amount outstanding at June 30, 2021. The Organization believes that all remaining gifts and pledges from related parties are collectible.

INSTITUTE FOR CITIZENS AND SCHOLARS

NOTES TO FINANCIAL STATEMENTS

N. SUBSEQUENT EVENTS

Management has evaluated events for potential recognition and disclosure that occurred through October 18, 2021, the date the financial statements were available to be issued. No items were determined by management to require disclosure.