

THE ACTON INSTITUTE FOR  
THE STUDY OF RELIGION  
AND LIBERTY

Financial Statements  
With Independent Auditors' Report

December 31, 2020 and 2019

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Acton Institute for the Study of Religion and Liberty (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of The Acton Institute for the Study of Religion and Liberty as of December 31, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Capin Crouse LLP".

Grand Rapids, Michigan  
July 6, 2021

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Statements of Financial Position

	December 31,	
	2020	2019
<b>ASSETS:</b>		
Current Assets:		
Cash and cash equivalents	\$ 4,534,793	\$ 1,335,178
Promises to give	502,011	863,851
Inventory	77,975	139,834
Prepaid expenses and other assets	249,979	337,638
	5,364,758	2,676,501
Non-Current Assets:		
Cash restricted for investment in land, building and equipment	21,543	105,838
Promise to give, less current maturities	128,000	403,500
Investments	6,653,824	6,269,579
Land, building and equipment–net	6,410,561	6,850,864
	13,213,928	13,629,781
<b>Total Assets</b>	<b>\$ 18,578,686</b>	<b>\$ 16,306,282</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Current Liabilities:		
Accounts payable and other liabilities	\$ 366,961	\$ 225,828
Net Assets:		
Net assets without donor restrictions	14,272,684	12,051,115
Net assets with donor restrictions:		
Restricted by purpose or time	3,439,041	3,529,339
Restricted in perpetuity	500,000	500,000
	3,939,041	4,029,339
<b>Total Net Assets</b>	<b>18,211,725</b>	<b>16,080,454</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 18,578,686</b>	<b>\$ 16,306,282</b>

See notes to financial statements

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Statements of Activities

	Year Ended December 31,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Support:						
Contributions	\$ 7,612,887	\$ 912,566	\$ 8,525,453	\$ 8,480,208	\$ 1,334,942	\$ 9,815,150
Special events–net	68,866	-	68,866	53,118	-	53,118
	7,681,753	912,566	8,594,319	8,533,326	1,334,942	9,868,268
Revenue:						
Investment income–net	902,039	79,745	981,784	1,165,649	83,278	1,248,927
Program services	32,058	-	32,058	318,433	-	318,433
Rental income	8,250	-	8,250	123,229	-	123,229
Other income	3,522	-	3,522	5,218	-	5,218
Gross profit on sales	74,738	-	74,738	74,933	-	74,933
	1,020,607	79,745	1,100,352	1,687,462	83,278	1,770,740
Total Support and Revenue	8,702,360	992,311	9,694,671	10,220,788	1,418,220	11,639,008
Net Assets Released from from Restrictions and Reclassifications	1,082,609	(1,082,609)	-	831,496	(831,496)	-
Total Support, Revenue, Net Assets Released from Restrictions and Reclassifications	9,784,969	(90,298)	9,694,671	11,052,284	586,724	11,639,008
<b>EXPENSES:</b>						
Program services	6,088,531	-	6,088,531	9,405,761	-	9,405,761
Supporting activities:						
Management and general	645,054	-	645,054	772,870	-	772,870
Fundraising	829,815	-	829,815	971,159	-	971,159
Total Expenses	7,563,400	-	7,563,400	11,149,790	-	11,149,790
Losses for uncollectible promises to give	-	-	-	-	250,000	250,000
Total Expenses and Losses	7,563,400	-	7,563,400	11,149,790	250,000	11,399,790
Change in Net Assets	2,221,569	(90,298)	2,131,271	(97,506)	336,724	239,218
Net Assets, Beginning of Year	12,051,115	4,029,339	16,080,454	12,148,621	3,692,615	15,841,236
Net Assets, End of Year	\$14,272,684	\$ 3,939,041	\$18,211,725	\$12,051,115	\$ 4,029,339	\$16,080,454

See notes to financial statements

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Statement of Functional Expenses

Year Ended December 31, 2020

	Program Services					Supporting Activities		
			General		Total	Management and General		Total
	Education	Research	Education	Media		Fundraising		
Salaries and wages	\$ 895,675	\$ 726,657	\$ 540,401	\$ 171,491	\$ 2,334,224	\$ 274,150	\$ 569,444	\$ 3,177,818
Contracted services	662,271	129,814	326,103	40,257	1,158,445	3,761	42,236	1,204,442
Advertising	183,378	-	522,450	-	705,828	-	-	705,828
Conferences and conventions	66,679	436,851	1,240	1,515	506,285	1,247	4,028	511,560
Depreciation	106,244	79,029	68,031	15,258	268,562	126,168	55,090	449,820
Equipment rental and maintenance	79,045	19,695	108,856	10,562	218,158	12,980	9,567	240,705
Occupancy	33,135	74,447	21,217	4,758	133,557	39,349	17,209	190,115
Other	123,950	17,918	8,209	2,513	152,590	15,005	12,566	180,161
Honorariums	132,862	28,793	-	-	161,655	-	-	161,655
Travel	48,052	29,328	32,683	2,443	112,506	13,931	14,063	140,500
Grants and awards	46,500	68,970	-	-	115,470	-	-	115,470
Unrelated business income tax	-	-	-	-	-	112,531	-	112,531
Publications	26,309	30,604	14,676	962	72,551	4,577	15,766	92,894
Printing and duplicating	1,693	10,953	38,728	44	51,418	365	36,455	88,238
Postage and shipping	996	7,404	20,128	270	28,798	405	43,015	72,218
Professional fees	4,442	6,365	-	-	10,807	29,489	-	40,296
Supplies	8,172	6,256	4,805	794	20,027	6,562	7,280	33,869
Telephone	4,026	5,377	1,748	2,343	13,494	2,388	1,572	17,454
Furniture, fixtures, and equipment	2,723	3,699	5,049	677	12,148	1,773	900	14,821
Meals and entertainment	2,756	8,710	298	244	12,008	373	624	13,005
<b>Total Expenses</b>	<b>\$2,428,908</b>	<b>\$ 1,690,870</b>	<b>\$ 1,714,622</b>	<b>\$ 254,131</b>	<b>\$ 6,088,531</b>	<b>\$ 645,054</b>	<b>\$ 829,815</b>	<b>\$ 7,563,400</b>

See notes to financial statements

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Statement of Functional Expenses

Year Ended December 31, 2019

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

See notes to financial statements

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Statements of Cash Flows

	Year Ended December 31,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 2,131,271	\$ 239,218
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	449,820	498,537
Losses for uncollectible promises to give	-	250,000
Net unrealized and realized gain on investment	(650,918)	(819,293)
Changes in operating assets and liabilities:		
Promises to give	637,340	(956,949)
Inventory	61,859	4,994
Prepaid expenses and other assets	87,659	91,672
Accounts payable and other liabilities	141,133	13,441
Net Cash Provided (Used) by Operating Activities	2,858,164	(678,380)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(9,517)	(354,491)
Purchase of investments	(283,053)	(119,551)
Proceeds from the sale of investments	549,726	243,795
Net Cash Provided (Used) by Investing Activities	257,156	(230,247)
Change In Cash and Cash Equivalents	3,115,320	(908,627)
Cash and Cash Equivalents, Beginning of Year	1,441,016	2,349,643
Cash and Cash Equivalents, End of Year	\$ 4,556,336	\$ 1,441,016
<b>Cash and Cash Equivalents:</b>		
Available for operations	\$ 4,534,793	\$ 1,335,178
Restricted for investment in land, building and equipment	21,543	105,838
	\$ 4,556,336	\$ 1,441,016

See notes to financial statements



# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Notes to Financial Statements

December 31, 2020 and 2019

### 1. NATURE OF ORGANIZATION

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

### 2. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Institute have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The more significant accounting policies are summarized below.

#### CASH AND CASH EQUIVALENTS

The Institute considers cash held in checking and savings accounts, and all highly liquid investments with an original maturity of 90 days or less to be cash equivalents. The Institute's accounts are insured by the Federal Deposit Insurance Corporation. At times, the Institute's cash and cash equivalents exceed federally insured limits. However, management monitors the soundness of the financial institution and believes the risk is negligible. As of December 31, 2020 and 2019, there was approximately \$4,242,000 and \$1,168,000 of uninsured cash and cash equivalents, respectively. Cash restricted for investment in land, building and equipment is accumulated cash received from a capital campaign not yet spent on capital expenditures.

#### PROMISES TO GIVE

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

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

#### INVENTORY

Inventory consists primarily of bookstore supplies. Inventory is valued at the lower of cost or net realizable value for December 31, 2020 and 2019, with cost determined on the average cost method.

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Notes to Financial Statements

December 31, 2020 and 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### LAND, BUILDING, AND EQUIPMENT

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

#### DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

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

##### Level 1

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

##### Level 2

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

##### Level 3

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

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

#### INVESTMENTS

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

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Notes to Financial Statements

December 31, 2020 and 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### CONTRIBUTIONS

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

#### NET ASSETS WITHOUT DONOR RESTRICTIONS

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

#### NET ASSETS WITH DONOR RESTRICTIONS

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

#### NONCASH DONATIONS

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

#### FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the program services and supporting activities have been summarized on a functional basis in the statements of activities. Certain costs not directly attributable to specific program services or functions have been allocated to program services and supporting activities. Management allocates costs based on an average of the programs budget, full time equivalents, and staff time attributed to the function. Management considers its method of allocation to be equitable. The Institute incurred no joint costs during the years ended December 31, 2020 and 2019.

#### ADVERTISING

The Institute expenses advertising costs as incurred. Total advertising costs were \$705,828 and \$649,955 including donated advertising of \$475,679 and \$452,321, as of December 31, 2020 and 2019, respectively.

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Notes to Financial Statements

December 31, 2020 and 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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 \$112,531 and \$96,800, as of December 31, 2020 and 2019, respectively.

#### RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurements*. The Institute adopted the provisions of this new standard during the year ended December 31, 2020. This ASU was designed to simplify the disclosures related to the fair value measurements. Adoption of this standard had no effect on change in net assets or net assets in total for the years ended December 31, 2020 and 2019.

### 3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects the Institute's financial assets as of December 31, 2020 and 2019, 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,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 4,534,793	\$ 1,335,178
Promises to give	630,011	1,267,351
Cash restricted for investment in land, building and equipment	21,543	105,838
Investments	6,653,824	6,269,579
Financial assets, at year end	11,840,171	8,977,946
Less those unavailable for general expenditures within one year, due to:		
Cash restricted for investment in land, building and equipment	(21,543)	(105,838)
Common stock of unregistered company	(2,966,400)	(2,689,200)
Restrictions by donors with time and purpose restrictions subject to release beyond one year	(3,503,416)	(3,145,078)
	(6,491,359)	(5,940,116)
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,348,812	\$ 3,037,830

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Notes to Financial Statements

December 31, 2020 and 2019

3. LIQUIDITY AND AVAILABILITY OF RESOURCES, continued:

The Institute has certain donor-restricted net assets that are available for general expenditures within one year of December 31, 2020 and 2019, because the restrictions are expected to be met by conducting the normal activities of the Institute in the coming year. Additionally, the Institute's restrictions by donors with purpose restrictions subject to release beyond one year is reported net of an estimated endowment appropriations. The Institute also has available an operating line of credit in the amount of \$250,000 which could be drawn upon in the event of an unanticipated liquidity need.

4. LAND, BUILDING, AND EQUIPMENT:

Land, building and equipment consists of the following:

	December 31,	
	2020	2019
Land	\$ 1,080,000	\$ 1,080,000
Building	6,089,084	6,078,544
Furniture, fixtures, and equipment	2,170,704	2,176,691
Library books and reference materials	121,054	121,054
	<u>9,460,842</u>	<u>9,456,289</u>
Accumulated depreciation	(3,050,281)	(2,605,425)
Total land, building and equipment– net	<u>\$ 6,410,561</u>	<u>\$ 6,850,864</u>

5. REVOLVING LINE OF CREDIT:

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

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Notes to Financial Statements

December 31, 2020 and 2019

### 6. INVESTMENTS AND FAIR VALUE MEASUREMENT:

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

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

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

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Large blend	\$ 1,986,234	\$ 1,986,234	\$ -	\$ -
Intermediate-term bond	1,025,638	1,025,638	-	-
Mid-cap growth	215,081	215,081	-	-
Large growth	185,180	185,180	-	-
High-yield bond	153,942	153,942	-	-
Common stock of unregistered company	2,689,200	-	-	2,689,200
	<u>6,255,275</u>	<u>\$ 3,566,075</u>	<u>\$ -</u>	<u>\$ 2,689,200</u>
Investments held at cost:				
Money market funds	<u>14,304</u>			
Total Investments	<u>\$ 6,269,579</u>			

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Notes to Financial Statements

December 31, 2020 and 2019

### 7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	December 31,	
	2020	2019
Restricted by purpose or time:		
Campaign for building and program enhancement	\$ 2,021,543	\$ 2,105,838
Education	1,023,744	1,029,970
Time restricted funds	226,511	244,352
Novak awards (endowment)–accumulated earnings	143,047	72,429
Research	24,196	26,750
Media	-	50,000
	<u>3,439,041</u>	<u>3,529,339</u>
Restricted in perpetuity:		
Novak awards (endowment)–original gift	500,000	500,000
	<u>\$ 3,939,041</u>	<u>\$ 4,029,339</u>

### 8. ENDOWMENT FUNDS:

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

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

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

The state of Michigan enacted UPMIFA effective September 15, 2009, and the Institute's board of trustees has interpreted the full provisions of UPMIFA, requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary for the years ended December 31, 2020 and 2019. As a result of this interpretation, the Institute classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Notes to Financial Statements

December 31, 2020 and 2019

8. ENDOWMENT FUNDS, continued:

The Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Institute and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Institute
- (7) The investment policy of the Institute

Endowment net asset composition by type of fund:

	December 31,	
	2020	2019
Accumulated earnings	\$ 143,047	\$ 72,429
Restricted in perpetuity	500,000	500,000
Total	<u>\$ 643,047</u>	<u>\$ 572,429</u>

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

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



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## Notes to Financial Statements

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### 8. ENDOWMENT FUNDS, continued:

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

	<u>Accumulated Earnings</u>	<u>Original Gift Amount</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 10,261	\$ 500,000	\$ 510,261
Investment gains	83,278	-	83,278
Appropriation for expenditure	(21,110)	-	(21,110)
Endowment net assets, end of year	<u>\$ 72,429</u>	<u>\$ 500,000</u>	<u>\$ 572,429</u>

### FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Institute to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported within net assets with donor restrictions. There were no fund deficiencies as of December 31, 2020 and 2019.

### RISK PARAMETERS AND STRATEGIES EMPLOYED FOR ACHIEVING RETURN OBJECTIVES

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

The Institute's broad investment objectives include:

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

### SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

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

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9. OPERATING LEASE:

The Institute leased a portion of the building and related parking spaces to an unrelated party under an operating lease, which expired in September 2019. Rental income under the operating lease for the years ended December 31, 2020 and 2019, was \$-0- and \$123,229, respectively.

10. RETIREMENT PLAN:

The Institute has an employee benefit plan under Section 401(k) of the Internal Revenue Code for substantially all of its employees who meet the eligibility requirements. Contributions to the plan are at the discretion of management. Participants may contribute up to \$18,000 of their compensation to the plan on a pretax basis. The Institute matches 50% of each participant's elective contributions, not to exceed \$4,000. Contributions were \$159,074 and \$101,630 for the years ended December 31, 2020 and 2019, respectively. The Institute's obligation is limited to contributions made for the benefit of participating employees.

11. CONCENTRATIONS:

Two funding sources provided approximately 33% of total revenue for the year ended December 31, 2020. One funding source provided approximately 21% of total revenue for the year ended December 31, 2019.

12. RELATED PARTY TRANSACTIONS:

The Institute received a contribution from an organization who has a vice president that is also on the board at the Institute in the amount of \$2,106,000 and \$2,506,000 for the years ended December 31, 2020 and 2019, respectively. During the year ended December 31, 2019, the Institute also received a contribution from an organization who has a board member that is also the executive director at the Institute in the amount of \$865,000. Lastly, the Institute received \$602,200 and \$219,175, in contributions from members of the board of directors during the year ended December 31, 2020 and 2019, respectively.

13. SPECIAL EVENTS–NET:

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

	Year Ended December 31,	
	2020	2019
Contributions	\$ 128,105	\$ 229,835
Program fees	6,310	58,525
Direct expenses	(65,549)	(235,242)
	<u>\$ 68,866</u>	<u>\$ 53,118</u>

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

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### 14. RISKS AND UNCERTAINTIES:

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

### 15. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through July 6, 2021, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.