Bill of Rights Institute

Financial Statements
and Independent Auditor's Report

December 31, 2023 and 2022

Bill of Rights Institute

Financial Statements
December 31, 2023 and 2022

Contents

Rogers & Company PLLC
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Bill of Rights Institute

Opinion

We have audited the accompanying financial statements of Bill of Rights Institute ("the Institute"), which comprise the statements of financial position as of December 31, 2023 and 2022; 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 Institute 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 Institute's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

Rogers + Company PLLC

Vienna, Virginia
April 12, 2024

Bill of Rights Institute

Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Cash	$ 1,912,228	$ 4,491,417
Investments	939,673	298,787
Accounts receivable	546	407
Grants receivable	1,839,810	358,333
Prepaid expenses and deposits	54,663	26,072
Property and equipment, net	9,441	10,799
Right-of-use assets – operating lease	2,931,462	1,271,217
Total assets	$ 7,687,823	$ 6,457,032
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 770,232	$ 712,111
Refundable advances	-	603,769
Lease liabilities – operating lease	3,128,433	1,452,571
Total liabilities	3,898,665	2,768,451
Net Assets		
Without donor restrictions	2,446,813	2,840,275
With donor restrictions	1,342,345	848,306
Total net assets	3,789,158	3,688,581
Total liabilities and net assets	$ 7,687,823	$ 6,457,032

See accompanying notes.

Bill of Rights Institute

Statement of Activities
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions and grants	$ 5,425,029	$ 3,169,823	$ 8,594,852
In-kind contributions	925,715	-	925,715
Service revenue	269,780	-	269,780
Investment return	11,003	-	11,003
Other income	870	-	870
Released from restrictions	2,675,784	(2,675,784)	-
Total revenue and support	9,308,181	494,039	9,802,220
Expenses			
Program services:			
Educational programs	6,408,643	-	6,408,643
Total program services	6,408,643	-	6,408,643
Supporting services:			
Management and general	855,777	-	855,777
Fundraising	2,437,223	-	2,437,223
Total supporting services	3,293,000	-	3,293,000
Total expenses	9,701,643	-	9,701,643
Change in Net Assets	(393,462)	494,039	100,577
Net Assets, beginning of year	2,840,275	848,306	3,688,581
Net Assets, end of year	$ 2,446,813	$ 1,342,345	$ 3,789,158

Bill of Rights Institute

Statement of Activities
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions and grants	$ 6,346,573	$ 1,075,000	$ 7,421,573
In-kind contributions	711,816	-	711,816
Service revenue	260,959	-	260,959
Investment return	(1,909)	-	(1,909)
Other income	3,651	-	3,651
Released from restrictions	696,690	(696,690)	-
Total revenue and support	8,017,780	378,310	8,396,090
Expenses			
Program services:			
Educational programs	5,651,424	-	5,651,424
Total program services	5,651,424	-	5,651,424
Supporting services:			
Management and general	1,136,802	-	1,136,802
Fundraising	2,044,178	-	2,044,178
Total supporting services	3,180,980	-	3,180,980
Total expenses	8,832,404	-	8,832,404
Change in Net Assets	(814,624)	378,310	(436,314)
Net Assets, beginning of year	3,654,899	469,996	4,124,895
Net Assets, end of year	$ 2,840,275	$ 848,306	$ 3,688,581

Bill of Rights Institute

Statement of Functional Expenses
For the Year Ended December 31, 2023

	Educational Programs	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total Expenses
Salaries, taxes, and benefits	$ 2,863,078	$ 483,063	$ 1,718,793	$ 2,201,856	$ 5,064,934
Professional fees	1,208,877	303,348	452,427	755,775	1,964,652
Occupancy	126,332	35,345	63,058	98,403	224,735
Printing and publication	52,833	-	8,725	8,725	61,558
Postage and shipping	114,981	-	34,011	34,011	148,992
Supplies	130,019	15,462	34,981	50,443	180,462
Travel and entertainment	405,274	8,183	85,898	94,081	499,355
Conferences and meetings	336,307	-	8,396	8,396	344,703
Equipment rent and maintenance	3,772	1,045	1,864	2,909	6,681
List rental	-	-	10,497	10,497	10,497
Telephone	10,994	3,315	7,572	10,887	21,881
Awards	243,785	1,535	3,003	4,538	248,323
Insurance	7,243	2,172	3,875	6,047	13,290
Web design	898,027	176	314	490	898,517
Miscellaneous	6,381	1,911	3,413	5,324	11,705
Depreciation and amortization	740	222	396	618	1,358
Total Expenses	$ 6,408,643	$ 855,777	$ 2,437,223	$ 3,293,000	$ 9,701,643

See accompanying notes.

Bill of Rights Institute

Statement of Functional Expenses
For the Year Ended December 31, 2022

	Educational Programs	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total Expenses
Salaries, taxes, and benefits	$ 2,538,335	$ 658,418	$ 1,068,021	$ 1,726,439	$ 4,264,774
Professional fees	1,077,283	289,314	594,634	883,948	1,961,231
Occupancy	184,560	100,695	63,536	164,231	348,791
Printing and publication	321,033	6,103	114,459	120,562	441,595
Postage and shipping	182,152	502	33,524	34,026	216,178
Supplies	135,650	25,112	24,308	49,420	185,070
Travel and entertainment	368,107	20,199	68,001	88,200	456,307
Conferences and meetings	440,808	1,723	3,944	5,667	446,475
Equipment rent and maintenance	6,745	3,680	2,322	6,002	12,747
List rental	3,316	1,809	55,253	57,062	60,378
Telephone	10,966	10,153	3,775	13,928	24,894
Awards	148,742	347	573	920	149,662
Insurance	6,119	3,339	2,107	5,446	11,565
Web design	199,334	6	4	10	199,344
Miscellaneous	17,606	9,582	6,044	15,626	33,232
Depreciation and amortization	10,668	5,820	3,673	9,493	20,161
Total Expenses	$ 5,651,424	$ 1,136,802	$ 2,044,178	$ 3,180,980	$ 8,832,404

Bill of Rights Institute

Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	$ 100,577	$ (436,314)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Unrealized loss on investments	367	3,706
Donated stocks	(50,054)	(100,105)
Depreciation and amortization	1,358	20,161
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(139)	27,396
Grants receivable	(1,481,477)	671,667
Prepaid expenses and deposits	(28,591)	(22,346)
Right-of-use assets – operating lease	(1,660,245)	(1,271,217)
Increase (decrease) in:		
Accounts payable and accrued expenses	58,121	(28,619)
Refundable advances	(603,769)	282,698
Deferred rent	-	(203,776)
Lease liabilities – operating lease	1,675,862	1,452,571
Net cash (used in) provided by operating activities	(1,987,990)	395,822
Cash Flows from Investing Activities		
Purchases of investments	(1,040,138)	(1,169)
Proceeds from sale of investments	448,939	-
Net cash used in investing activities	(591,199)	(1,169)
Net (Decrease) Increase in Cash	(2,579,189)	394,653
Cash, beginning of year	4,491,417	4,096,764
Cash, end of year	$ 1,912,228	$ 4,491,417

1. Nature of Operations

The Bill of Rights Institute ("the Institute") is a not-for-profit organization whose mission and principal activities are to educate the public about the U.S. Constitution and the Bill of Rights. The Institute's revenues and other support are derived primarily from contributions, and its activities are conducted throughout the United States.

2. Summary of Significant Accounting Policies

<u>Basis of Accounting and Presentation</u>

The Institute's financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. The Institute reports contributions and grants restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions and grants are reported as increases 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 and reported in the statements of activities as net assets released from restrictions.

<u>Investments</u>

Investments are recorded at fair value based on quoted market prices. All realized and unrealized gains and losses are reported in investment return in the accompanying statements of activities. Money market funds, held as a portion of the Institute's investment portfolio, are not considered to be cash equivalents for purposes of cash flows.

2. Summary of Significant Accounting Policies (continued)

<u>Grants Receivable</u>

Grants receivable represent unconditional promises to give, and are reflected at net realizable value as all amounts are expected to be collected within one year. The Institute's policy is to charge-off uncollectible receivables when management determines the receivables will not be collected. No allowance for doubtful accounts is recorded, as management believes that all amounts are deemed fully collectible.

<u>Property and Equipment</u>

Property and equipment acquisitions with a cost in excess of $5,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the individual assets, which range from three to 15 years. Repairs and maintenance costs are expensed as incurred. Donated assets are capitalized at fair market value on the date of donation.

<u>Operating Lease</u>

The Institute determines if an arrangement is a lease at inception. Operating lease is included in right-of-use ("ROU") assets, which represent the Institute's right to use an underlying asset for the lease term, and lease liabilities represent the Institute's obligation to make lease payments arising from the lease. Operating ROU lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Institute's leases do not provide an implicit rate, the Institute used a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

The ROU assets also include any lease payments made and exclude lease incentives. The Institute's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Institute will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

The Institute recognizes contributions and grants when cash, securities, or other assets, or an unconditional promise to give, is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of the Institute's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Institute has incurred expenditures in compliance with specific grant provisions. Costs incurred in excess of cash received are reflected as grants receivable in the accompanying statements of financial position. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the accompanying statements of financial position.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Institute satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Foundation expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Institute combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Specifically, for the various types of contracts, the Institute recognizes revenue as follows:

Service revenue includes revenue from content development, curriculum development, and program development related to the U.S. Constitution and the Bill of Rights provided by the Institute to various organizations. Service revenue is recognized when the performance obligation to which the service relates has been satisfied.

2. Summary of Significant Accounting Policies (continued)

In-Kind Contributions

The value of contributions that enhance a nonfinancial asset, which are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying statements of activities as in-kind contributions. In-kind contributions consist of pro-bono accounting, legal, development, and subscription services that benefit both program and supporting services. In-kind contributions are recognized as revenue and expense in the accompanying statements of activities at their estimated fair value, as provided by the donor, at the date of receipt.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through April 12, 2024, the date the financial statements were available to be issued.

3. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at December 31:

	2023	2022
Cash	$ 1,912,228	$ 4,491,417
Investments	939,673	298,787
Accounts receivable	546	407
Grants receivable	1,839,810	358,333
Total financial assets	4,692,257	5,148,944
Less: restricted by donors	(1,342,345)	(848,306)
Total available for general expenditures	$ 3,349,912	$ 4,300,638

The Institute strives to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of this liquidity management, the Institute invests cash in excess of daily requirements in short-term investments.

4. Concentrations of Risk

Credit Risk

Financial instruments that potentially subject the Institute to significant concentrations of credit risk consist of cash and investments. The Institute maintains cash deposit and transaction accounts, along with investments, at a financial institution, and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Institute has not experienced any credit losses on its cash and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of the financial institution and believes that the risk of any credit loss is minimal.

4. Concentrations of Risk (continued)

Revenue Risk

During the year ended December 31, 2023, 28% of the Institute's revenue and support was provided by one donor. During the year ended December 31, 2022, 71% of the Institute's revenue and support was provided by three donors. Any significant reduction in revenue and support from these donors may significantly impact the Institute's financial position and operations.

5. Investments and Fair Value Measurements

The Institute follows Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurements and Disclosures,* for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. The Institute recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

In general, and where applicable, the Institute uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

The following table presents the Institute's fair value hierarchy for those investments measured on a recurring basis at December 31, 2023:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 939,673	$ -	$ -	$ 939,673
Total investments	$ 939,673	$ -	$ -	$ 939,673

5. Investments and Fair Value Measurements (continued)

The following table presents the Institute's fair value hierarchy for those investments measured on a recurring basis at December 31, 2022:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 298,787	$ -	$ -	$ 298,787
Total investments	$ 298,787	$ -	$ -	$ 298,787

Investment return consists of the following for the years ended December 31:

	2023	2022
Interest and dividends	$ 11,370	$ 1,797
Unrealized loss	(367)	(3,706)
Total investment return	$ 11,003	$ (1,909)

The Institute's investment portfolio is not actively managed, rather it is self-directed; therefore, the Institute did not incur any investment management fees for the years ended December 31, 2023 and 2022.

6. Property and Equipment

The Institute held the following property and equipment at December 31:

	2023	2022
Civics & Economics digital textbook	$ 838,981	$ 838,981
Furniture and equipment	23,107	23,107
Total property and equipment	862,088	862,088
Less: accumulated depreciation and amortization	(852,647)	(851,289)
Property and equipment, net	$ 9,441	$ 10,799

7. Net Assets With Donor Restrictions

Net assets with donor restrictions were purpose restricted for educational programs and totaled $1,342,345 and $848,306 at December 31, 2023 and 2022, respectively.

8. Commitment and Contingencies

Operating Leases

The Institute entered into an operating lease agreement for its office space, which commenced on October 1, 2017 and was set to expire on April 30, 2027. This lease called for a base monthly rent of $21,208 and annual rental increases of 2.5%, which did not include the pro rata share of the building's operating expenses and real estate taxes. The terms of the lease included certain lease incentives in the form of 16 months of rent abatement provided at the beginning of the lease term. In addition, the lease terms provided for a leasehold improvement allowance for buildout of the office space. The allowance was recognized as a reduction of rental expense over the life of the lease.

In March 2023, the office lease was amended as of August 1, 2023 for expansion and extended through April 30, 2031. This amended lease calls for a base monthly rent of $40,226 and annual rental increases of 2.5%, which did not include the pro rata share of the building's operating expenses and real estate taxes. The amended lease includes certain lease incentives in the form of nine months of rent abatement through April 30, 2024. In addition, the amended lease terms provide for a leasehold improvement allowance for buildout of the office space. Subsequent to year-end, as of March 31, 2024, leasehold improvement allowance up to approximately $540,000 was used.

Supplemental qualitative information related to the office lease are as follows for the years ended December 31:

	2023	2022
Operating lease costs	$ 377,494	$ 305,061
Cash paid for amounts included in the measurement of lease liabilities – operating cash flows	$ 194,440	$ 327,482
ROU assets obtained in exchange for lease obligations	$ 2,931,462	$ 1,271,217
Weighted-average remaining lease term (in years)	7.3	4.3
Weighted-average discount rate	4.05%	1.60%

8. Commitment and Contingencies (continued)

Operating Leases (continued)

Maturities of the lease liabilities under the Institute's office lease are as follows for the years ending December 31:

2024	$ 326,833
2025	499,927
2026	512,424
2027	525,231
2028	538,362
Thereafter	1,308,700
Total minimum lease payments	3,711,477
Less: discount to present value	(583,044)
Present value of operating lease liabilities	$ 3,128,433

Service Organization

The Institute has contracted with Insperity PEO Services, L.P. ("Insperity"), a third-party organization, as their professional employer organization. As such, Insperity is the employer of record for tax, benefits, and insurance purposes for the Institute's employees. This co-employment relationship allows the Institute to maintain direct control of the day-to-day activities of employees, while Insperity assumes the administrative functions of human resources and absorbs many employer-related liabilities.

9. Retirement Plan

In conjunction with the service organization relationship disclosed in Note 8, the Institute sponsors a 401(k) retirement plan ("the Plan") for all eligible employees. All employees are eligible to participate in the Plan after they meet certain age and length of service requirements. The Institute provides an employer matching contribution up to 5% of employees' compensation. All employees are fully vested into the Plan. Employer contributions totaled $138,234 and $117,782 for the years ended December 31, 2023 and 2022, respectively.

10. Related Party Transactions

The Institute receives support in the form of contributions from the founding members. For both years ended December 31, 2023 and 2022, the Institute received $500 from founding members, which is included in contributions and grants in the accompanying statements of activities.

11. Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include salaries, taxes, benefits, and other overhead expenses, which are allocated on the basis of estimates of time and effort.

12. Income Taxes

The Institute is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from income taxes except for taxes on unrelated business activities. No tax expense is recorded in the accompanying financial statements, as there was no significant net unrelated business taxable income. Contributions to the Institute are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management evaluated the Institute's tax positions and concluded that the Institute's financial statements do not include any uncertain tax positions.