

THE ACTON INSTITUTE FOR  
THE STUDY OF RELIGION  
AND LIBERTY

Financial Statements  
With Independent Auditors' Report

December 31, 2018 and 2017

# 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 (the Institute) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, cash flows and functional expenses 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 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 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.

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

***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, 2018 and 2017, 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.

***Emphasis of Matter***

The Institute has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the December 31, 2018 and 2017, financial statements.

*Capin Crouse LLP*

Grand Rapids, Michigan  
May 23, 2019

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Statements of Financial Position

	December 31,	
	2018	2017
<b>ASSETS:</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,178,225	\$ 3,334,956
Promises to give	560,402	393,924
Inventory	144,828	152,836
Prepaid expenses and other assets	429,310	334,890
Investments	202,838	-
	3,515,603	4,216,606
Non-Current Assets:		
Cash restricted for investment in land, building and equipment	171,418	254,846
Promise to give, less current maturities	-	37,000
Investments	5,371,692	5,208,467
Land, building and equipment—net	6,994,910	7,288,260
	12,538,020	12,788,573
<b>Total Assets</b>	<b>\$ 16,053,623</b>	<b>\$ 17,005,179</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Current Liabilities:		
Accounts payable and other liabilities	\$ 212,387	\$ 255,923
Net Assets:		
Net Assets Without Donor Restrictions:		
Undesignated	5,153,711	5,719,434
Net investment in land, building, and equipment	6,994,910	7,288,260
	12,148,621	13,007,694
Net Assets With Donor Restrictions:		
Restricted by purpose or time	3,192,615	3,241,562
Restricted in perpetuity	500,000	500,000
	3,692,615	3,741,562
<b>Total Net Assets</b>	<b>15,841,236</b>	<b>16,749,256</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 16,053,623</b>	<b>\$ 17,005,179</b>

See notes to financial statements

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Statements of Activities

	Year Ended December 31,					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
<b>Support:</b>						
Contributions	\$ 8,199,428	\$ 723,936	\$ 8,923,364	\$ 8,850,151	\$ 926,424	\$ 9,776,575
Special events-net	136,257	-	136,257	62,742	-	62,742
	8,335,685	723,936	9,059,621	8,912,893	926,424	9,839,317
<b>Revenue:</b>						
Net investment income	594,868	(23,107)	571,761	671,551	51,989	723,540
Program services	394,493	-	394,493	362,985	-	362,985
Rental income	190,934	-	190,934	167,718	-	167,718
Other income	-	-	-	46,031	-	46,031
Gross profit on sales	140,632	-	140,632	141,936	-	141,936
	1,320,927	(23,107)	1,297,820	1,390,221	51,989	1,442,210
<b>Total Support and Revenue</b>	<b>9,656,612</b>	<b>700,829</b>	<b>10,357,441</b>	<b>10,303,114</b>	<b>978,413</b>	<b>11,281,527</b>
<b>Net Assets Released from Restrictions:</b>						
Satisfaction of restrictions	749,776	(749,776)	-	1,469,787	(1,469,787)	-
	10,406,388	(48,947)	10,357,441	11,772,901	(491,374)	11,281,527

(continued)

See notes to financial statements

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Statements of Activities (continued)

	Year Ended December 31,					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES:						
Program services	9,662,619	-	9,662,619	9,904,016	-	9,904,016
Supporting activities:						
Management and general	663,933	-	663,933	624,016	-	624,016
Fundraising	938,909	-	938,909	988,065	-	988,065
Total Expenses	11,265,461	-	11,265,461	11,516,097	-	11,516,097
Losses for uncollectable promises to give	-	-	-	-	300,000	300,000
Total Expenses and Losses	11,265,461	-	11,265,461	11,516,097	300,000	11,816,097
Change in Net Assets	(859,073)	(48,947)	(908,020)	256,804	(791,374)	(234,570)
Net Assets, Beginning of Year	13,007,694	3,741,562	16,749,256	12,750,890	4,532,936	17,283,826
Net Assets, End of Year	\$ 12,148,621	\$ 3,692,615	\$ 15,841,236	\$ 13,007,694	\$ 3,741,562	\$ 16,749,256

See notes to financial statements

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Statements of Cash Flows

	Year End December 31,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (908,020)	\$ (534,570)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	477,888	408,442
Losses for uncollectible promises to give	-	300,000
Net unrealized and realized gain on investment	(234,389)	(357,489)
Reinvested interest and dividends	(68,609)	-
Changes in operating assets and liabilities:		
Promises to give	(129,478)	575,415
Inventory	8,008	2,167
Prepaid expenses and other assets	(94,420)	111,176
Accounts payable and other liabilities	(43,536)	15,255
Net Cash Provided (Used) by Operating Activities	(992,556)	520,396
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(184,538)	(516,264)
Purchase of investments	(404,963)	(2,063,389)
Proceeds from the sale of investments	341,898	1,921,579
Net Cash Used by Investing Activities	(247,603)	(658,074)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions restricted for capital or other long term purpose	-	44,980
Net Cash Provided by Financing Activities	-	44,980
Change In Cash and Cash Equivalents	(1,240,159)	(92,698)
Cash and Cash Equivalents, Beginning of Year	3,589,802	3,682,500
Cash and Cash Equivalents, End of Year	\$ 2,349,643	\$ 3,589,802
<b>Cash and Cash Equivalents:</b>		
Available for operations	\$ 2,178,225	\$ 3,334,956
Restricted for investment in land, building and equipment	171,418	254,846
	\$ 2,349,643	\$ 3,589,802

See notes to financial statements

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Statements of Functional Expenses

Year Ended December 31,

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 3,197,640	\$ 253,941	\$ 615,803	\$ 4,067,384	\$ 2,983,951	\$ 260,036	\$ 660,849	\$ 3,904,836
Conferences and conventions	2,584,051	1,456	3,999	2,589,506	2,717,972	10,529	12,728	2,741,229
Contracted services	1,148,253	10,342	47,294	1,205,889	1,372,483	9,676	38,185	1,420,344
Advertising	675,480	-	4,025	679,505	698,441	-	4,418	702,859
Depreciation expense	303,680	133,750	40,458	477,888	267,396	97,166	43,880	408,442
Travel	358,694	34,619	56,975	450,288	407,476	27,191	59,123	493,790
Honorariums	369,324	-	-	369,324	340,932	-	-	340,932
Occupancy	159,142	47,142	14,260	220,544	161,820	41,629	18,800	222,249
Equipment rental and maintenance	162,782	15,607	25,486	203,875	168,353	10,359	21,030	199,742
Grants and awards	196,445	-	-	196,445	248,805	-	-	248,805
Printing and duplicating	107,507	537	48,597	156,641	105,700	544	49,488	155,732
Postage and shipping	90,625	1,201	42,226	134,052	115,296	1,087	32,807	149,190
Publications	95,564	2,846	13,726	112,136	106,330	3,426	17,389	127,145
Other expenses	73,301	12,219	14,934	100,454	72,092	8,762	12,040	92,894
Unrelated business income tax	-	91,109	-	91,109	-	100,329	-	100,329
Supplies	39,364	7,176	3,831	50,371	39,869	7,437	5,398	52,704
Professional fees	8,336	40,683	-	49,019	3,269	36,231	-	39,500
Meals and entertainment	41,764	3,131	2,118	47,013	45,163	2,262	4,562	51,987
Furniture, fixtures, and equipment	27,468	5,058	1,757	34,283	27,122	4,975	2,247	34,344
Telephone	23,199	3,116	3,420	29,735	21,546	2,377	5,121	29,044
<b>Total Expenses</b>	<b>\$ 9,662,619</b>	<b>\$ 663,933</b>	<b>\$ 938,909</b>	<b>\$ 11,265,461</b>	<b>\$ 9,904,016</b>	<b>\$ 624,016</b>	<b>\$ 988,065</b>	<b>\$ 11,516,097</b>

See notes to financial statements

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Notes to Financial Statements

December 31, 2018 and 2017

### 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 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, 2018 and 2017, there was approximately \$1,269,200 and \$2,328,700 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, 2018 and 2017, with cost determined on the average cost method.

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Notes to Financial Statements

December 31, 2018 and 2017

### 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.

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Notes to Financial Statements

December 31, 2018 and 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### INVESTMENTS

Investments held at cost include certificates of deposit with an original maturity of greater than 90 days and money market funds held within the investment portfolio.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include mutual funds and common stock.

If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows, and the securities are classified within Level 2 of the valuation hierarchy. There are no Level 2 investments.

In certain cases where Level 1 or Level 2 inputs are not available, securities are classified with Level 3. For the valuation of the 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.

#### RECOGNITION OF DONOR RESTRICTIONS

Contributions received are reported as without donor restriction or with donor restriction 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 restriction, 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 restriction, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction.

#### NET ASSETS WITHOUT DONOR RESTRICTION

Net assets without donor restriction are used to account for all resources over which the Institute has discretionary control and investment in land, building and equipment.

#### NET ASSETS WITH DONOR RESTRICTIONS

Contributions of cash and other assets are considered net assets with donor restrictions if they are received with donor stipulations that limit the use of donated assets. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for the Novak award as described in Note 7.

#### 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.

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Notes to Financial Statements

December 31, 2018 and 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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, 2018 and 2017.

#### ADVERTISING

The Institute expenses advertising costs as incurred. Total advertising costs were \$679,505 and \$702,859, including donated advertising of \$305,138 and \$478,091, as of December 31, 2018 and 2017, respectively.

#### INCOME TAXES

The Internal Revenue Service has determined the Institute is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Institute qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1) and 170(b)(1)(A)(vi). The Institute is subject to tax on unrelated business income, as defined by Section 511 of the code. The provision for income taxes on such income was \$91,109 and \$100,329, as of December 31, 2018 and 2017, respectively. Cash paid for income tax on such income was \$91,109 and \$138,329, as of December 31, 2018 and 2017, respectively. Tax positions taken are assessed for uncertainty and provisions may be recorded if a tax position is not likely to be sustained upon examination.

#### RECENTLY ISSUED ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Institute adopted the provisions of this new standard during the year ended December 31, 2018. The new standards change the following aspects of the Center's financial statements:

- Temporarily restricted and permanently restricted net asset classes are now referred to as net assets with donor restrictions.
- The unrestricted net asset class is now referred to as net assets without donor restrictions.
- The financial statements include a new disclosure regarding liquidity and the availability of resources.
- Disclosures related to functional allocation of expenses were expanded.

#### RECLASSIFICATIONS

Certain amounts from the year ended December 31, 2017 statement of cash flows have been reclassified to conform with current year presentation. Donated investments in the amount of \$488,077, were reclassified from cash flows from investing activities to cash flows from operating activities to comply with the Institute's policy to sell donated investments upon receipt of the donation. This reclassification had no effect on the change in net assets.

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Notes to Financial Statements

December 31, 2018 and 2017

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects the Institutes' financial assets as of December 31, 2018, 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 at December 31, 2018:

Financial assets:	
Cash and cash equivalents	\$ 2,178,225
Restricted cash	171,418
Promises to give	560,402
Investments	<u>5,574,530</u>
Financial assets, at year end	<u>8,484,575</u>
Less those unavailable for general expenditures within one year, due to:	
Restricted cash	(171,418)
Common stock of an unregistered company	(2,415,600)
Restrictions by donors with purpose restrictions subject to release beyond one year	<u>(3,398,803)</u>
	<u>(5,985,821)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,498,754</u></u>

The Institute has certain donor-restricted net assets that are available for general expenditures within one year of December 31, 2018, 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 appropriation of approximately \$22,500 during fiscal year 2019.

4. LAND, BUILDING, AND EQUIPMENT:

Property and equipment consists of the following:

	December 31,	
	2018	2017
Land	\$ 1,080,000	\$ 1,080,000
Building	6,077,528	6,068,824
Furniture, fixtures, and equipment	1,916,761	1,745,417
Library books and reference materials	121,054	121,054
	<u>9,195,343</u>	<u>9,015,295</u>
Accumulated depreciation	<u>(2,200,433)</u>	<u>(1,727,035)</u>
	<u><u>\$ 6,994,910</u></u>	<u><u>\$ 7,288,260</u></u>

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Notes to Financial Statements

December 31, 2018 and 2017

5. INVESTMENTS:

Investments consist of the following:

	December 31,	
	2018	2017
Investments held at cost		
Certificates of deposit	\$ 202,838	\$ -
Money market funds	23,780	-
	<u>226,618</u>	<u>-</u>
Investments held at fair value		
Mutual fund:	2,932,312	3,192,478
Common stock of unregistered company	2,415,600	1,972,200
Common stock	-	43,789
	<u>5,347,912</u>	<u>5,208,467</u>
Total Investments	<u>\$ 5,574,530</u>	<u>\$ 5,208,467</u>
Reconciliation to the statements of financial position:		
Current assets		
Investments	\$ 202,838	\$ -
Non-current assets		
Investments	<u>5,371,692</u>	<u>5,208,467</u>
Total Investments	<u>\$ 5,574,530</u>	<u>\$ 5,208,467</u>

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Notes to Financial Statements

December 31, 2018 and 2017

### 6. FAIR VALUE MEASUREMENT:

Investments at fair value consist of the following as of December 31, 2018:

	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 growth	\$ 147,199	\$ 147,199	\$ -	\$ -
Mid-cap growth	173,215	173,215	-	-
Large blend	1,505,660	1,505,660	-	-
Intermediate-term bond	973,421	973,421	-	-
High-yield bond	132,817	132,817	-	-
Common stock of unregistered company	2,415,600	-	-	2,415,600
	<u>\$ 5,347,912</u>	<u>\$ 2,932,312</u>	<u>\$ -</u>	<u>\$ 2,415,600</u>

Investments at fair value consist of the following as of December 31, 2017:

	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)
Common stock	\$ 43,789	\$ 43,789	\$ -	\$ -
Mutual funds:				
Large growth	153,285	153,285	-	-
Mid-cap growth	188,216	188,216	-	-
Large blend	1,765,752	1,765,752	-	-
Intermediate-term bond	948,486	948,486	-	-
High-yield bond	136,739	136,739	-	-
Common stock of unregistered company	1,972,200	-	-	1,972,200
	<u>\$ 5,208,467</u>	<u>\$ 3,236,267</u>	<u>\$ -</u>	<u>\$ 1,972,200</u>

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Notes to Financial Statements

December 31, 2018 and 2017

6. FAIR VALUE MEASUREMENT, continued:

Investment income consists of:

	Year Ended December 31,	
	2018	2017
Interest and dividend income	\$ 337,372	\$ 366,051
Net unrealized gain	201,110	319,227
Net realized gain	33,279	38,262
	<u>\$ 571,761</u>	<u>\$ 723,540</u>

The following is a reconciliation of activity for the years ended December 31, 2018 and 2017, for assets measured at fair value based on significant unobservable (Level 3) information:

	December 31,	
	2018	2017
	Level 3	Level 3
	Investments	Investments
Balance, beginning of year	\$ 1,972,200	\$ 1,896,200
Unrealized gain	443,400	76,000
Balance, end of year	<u>\$ 2,415,600</u>	<u>\$ 1,972,200</u>

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Notes to Financial Statements

December 31, 2018 and 2017

### 7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	December 31,			
	2017	Support	Reclassifications	2018
Education	\$ 135,758	\$ 423,016	\$ (98,758)	\$ 460,016
Research	292,715	27,517	(292,715)	27,517
Media	147,000	-	(147,000)	-
Campaign for building and program enhancement	2,504,846	-	(83,428)	2,421,418
Novak awards	54,319	(23,107)	(20,951)	10,261
Time restricted funds	106,924	273,403	(106,924)	273,403
	<u>\$ 3,241,562</u>	<u>\$ 700,829</u>	<u>\$ (749,776)</u>	<u>\$ 3,192,615</u>

	December 31,			
	2016	Support	Reclassifications	2017
Education	\$ 617,483	\$ 74,000	\$ (555,725)	\$ 135,758
Research	388,094	598,500	(693,879)	292,715
Media	-	147,000	-	147,000
Campaign for building and program enhancement	2,903,690	-	(398,844)	2,504,846
Novak awards	2,330	51,989	-	54,319
Time restricted funds	121,339	106,924	(121,339)	106,924
	<u>\$ 4,032,936</u>	<u>\$ 978,413</u>	<u>\$ (1,769,787)</u>	<u>\$ 3,241,562</u>

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Notes to Financial Statements

December 31, 2018 and 2017

### 8. ENDOWMENT FUNDS:

In 2016, the Institute established 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 Institute's Board of Directors 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, 2018 and 2017. As a result of this interpretation, the Institute classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

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

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

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Notes to Financial Statements

December 31, 2018 and 2017

8. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund:

	December 31,	
	2018	2017
Accumulated earnings	\$ 10,261	\$ 54,319
Restricted in perpetuity	500,000	500,000
Total	\$ 510,261	\$ 554,319

Changes in endowment net assets with donor restriction for the year ended December 31, 2018:

	Accumulated earnings	Original gift amount	Total
Endowment net assets, beginning of year	\$ 54,319	\$ 500,000	\$ 554,319
Investment return:			
Dividend and interest income	13,339	-	13,339
Net loss (realized and unrealized)	(36,446)	-	(36,446)
Total investment return	(23,107)	-	(23,107)
Appropriation for expenditure	(20,951)	-	(20,951)
Endowment net assets, end of year	\$ 10,261	\$ 500,000	\$ 510,261

Changes in endowment net assets for the year ended December 31, 2017:

	Accumulated earnings	Original gift amount	Total
Endowment net assets, beginning of year	\$ 2,330	\$ 500,000	\$ 502,330
Investment return:			
Dividend and interest income	10,826	-	10,826
Net gain (realized and unrealized)	41,163	-	41,163
Total investment return	51,989	-	51,989
Endowment net assets, end of year	\$ 54,319	\$ 500,000	\$ 554,319

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Notes to Financial Statements

December 31, 2018 and 2017

### 8. ENDOWMENT FUNDS, continued:

#### 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, 2018 and 2017.

#### 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 permanently restricted donor assets are used to fund the Novak award.

### 9. LEASES:

The Institute also leases a portion of the building and related parking spaces to an unrelated party under an operating lease, which expires in September 2019. The lease includes an escalation clause, which increases monthly rent by 2% in October of each year. As of December 31, 2018, monthly rent was \$14,341. Rental income under operating leases for the years ended December 31, 2018 and 2017, was \$170,463 and \$167,718, respectively. Future rental income for 2019 is expected to be \$131,651.

### 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 annually in 2018 and 2017. Contributions were \$113,097 and \$83,483, respectively. The Institute's obligation is limited to contributions made for the benefit of participating employees.

# THE ACTON INSTITUTE FOR THE STUDY OF RELIGION AND LIBERTY

## Notes to Financial Statements

December 31, 2018 and 2017

11. CONCENTRATIONS:

One funding source provided approximately 24% of total revenue for the year ended December 31, 2018. One funding source provided approximately 22% of total revenue for the year ended December 31, 2017.

12. 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,	
	2018	2017
Contributions	\$ 259,520	\$ 264,875
Program fees	75,075	73,000
Direct expenses	(198,338)	(275,133)
	<u>\$ 136,257</u>	<u>\$ 62,742</u>

13. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through May 23, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.