Bill of Rights Institute

Financial Statements
and Independent Auditors' Report

December 31, 2020 and 2019

Bill of Rights Institute

Financial Statements
December 31, 2020 and 2019

Contents

Independent Auditors' Report.. 1-2

Financial Statements

Statements of Financial Position.. 3
Statements of Activities 4-5
Statements of Functional Expenses 6-7
Statements of Cash Flows.. 8
Notes to Financial Statements.. 9-15

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bill of Rights Institute

We have audited the accompanying financial statements of the Bill of Rights Institute ("the Institute"), which comprise the statements of financial position as of December 31, 2020 and 2019; 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.

Auditor's 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.

ROGERS & COMPANY

Opinion

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, 2020 and 2019, 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.

Rogers + Company PLLC

Vienna, Virginia
April 7, 2021

Bill of Rights Institute

Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	$ 3,559,797	$ 2,423,880
Accounts receivable	1,310	2,118
Grants receivable	120,000	1,000,000
Prepaid expenses and deposits	36,776	32,598
Property and equipment, net	114,997	237,185
Total assets	$ 3,832,880	$ 3,695,781
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 644,339	$ 399,944
Refundable advances	230,332	400,000
Deferred rent	219,291	228,080
Total liabilities	1,093,962	1,028,024
Net Assets		
Without donor restrictions	2,277,279	2,412,377
With donor restrictions	461,639	255,380
Total net assets	2,738,918	2,667,757
Total liabilities and net assets	$ 3,832,880	$ 3,695,781

See accompanying notes.

Bill of Rights Institute

Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions and grants	$ 5,770,616	$ 999,068	$ 6,769,684
In-kind contributions	273,117	-	273,117
Service revenue	5,549	-	5,549
Interest income	5,346	-	5,346
Released from restrictions	792,809	(792,809)	-
Total revenue and support	6,847,437	206,259	7,053,696
Expenses			
Program services:			
Educational programs	4,224,259	-	4,224,259
Total program services	4,224,259	-	4,224,259
Supporting services:			
Management and general	1,679,818	-	1,679,818
Fundraising	1,078,458	-	1,078,458
Total supporting services	2,758,276	-	2,758,276
Total expenses	6,982,535	-	6,982,535
Change in Net Assets	(135,098)	206,259	71,161
Net Assets, beginning of year	2,412,377	255,380	2,667,757
Net Assets, end of year	$ 2,277,279	$ 461,639	$ 2,738,918

See accompanying notes.

Bill of Rights Institute

Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions and grants	$ 5,371,853	$ 371,125	$ 5,742,978
In-kind contributions	359,984	-	359,984
Interest income	7,444	-	7,444
Released from restrictions	243,552	(243,552)	-
Total revenue and support	5,982,833	127,573	6,110,406
Expenses			
Program services:			
Educational programs	3,025,549	-	3,025,549
Total program services	3,025,549	-	3,025,549
Supporting services:			
Management and general	1,501,365	-	1,501,365
Fundraising	1,119,128	-	1,119,128
Total supporting services	2,620,493	-	2,620,493
Total expenses	5,646,042	-	5,646,042
Change in Net Assets	336,791	127,573	464,364
Net Assets, beginning of year	2,075,586	127,807	2,203,393
Net Assets, end of year	$ 2,412,377	$ 255,380	$ 2,667,757

See accompanying notes.

Bill of Rights Institute

Statement of Functional Expenses
For the Year Ended December 31, 2020

	Educational Programs	Supporting Services: Management and General	Supporting Services: Fundraising	Total Expenses
Salaries and wages	$ 1,271,328	$ 748,916	$ 411,153	$ 2,431,397
Employee benefits	82,485	49,740	27,307	159,532
Payroll taxes	171,564	101,065	55,485	328,114
Total personnel expenses	1,525,377	899,721	493,945	2,919,043
Professional fees	1,599,089	475,650	242,327	2,317,066
Occupancy	174,090	102,553	56,302	332,945
Printing and publication	65,820	531	128,906	195,257
Postage and shipping	29,525	1,036	60,247	90,808
Supplies	62,297	49,065	35,489	146,851
Travel and entertainment	65,257	39,771	2,646	107,674
Conferences and seminars	56,897	268	122	57,287
Equipment rent and maintenance	-	4,886	-	4,886
List rental	-	-	37,812	37,812
Telephone	-	27,774	-	27,774
Awards	24,705	10,698	-	35,403
Miscellaneous	472	12,251	-	12,723
Insurance	3,484	9,077	-	12,561
Web design	553,357	8,900	-	562,257
Depreciation and amortization	63,889	37,637	20,662	122,188
Total Expenses	$ 4,224,259	$ 1,679,818	$ 1,078,458	$ 6,982,535

Bill of Rights Institute

Statement of Functional Expenses
For the Year Ended December 31, 2019

		Supporting Services		
	Educational Programs	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 727,545	$ 679,674	$ 462,531	$ 1,869,750
Employee benefits	83,385	52,978	74,770	211,133
Payroll taxes	53,124	49,628	33,773	136,525
Total personnel expenses	864,054	782,280	571,074	2,217,408
Professional fees	685,391	450,434	272,111	1,407,936
Occupancy	132,841	124,099	84,452	341,392
Printing and publication	354,467	9,874	84,084	448,425
Postage and shipping	58,337	7	24,283	82,627
Supplies	97,302	6,997	1,077	105,376
Travel and entertainment	129,386	-	2,529	131,915
Conferences and seminars	568,363	644	495	569,502
Property tax	-	14,426	-	14,426
Equipment rent and maintenance	1,045	3,985	-	5,030
List rental	45,410	-	46,265	91,675
Telephone	16,183	12,038	-	28,221
Awards	3,150	368	-	3,518
Miscellaneous	-	11,125	-	11,125
Insurance	3,132	16,952	-	20,084
Web design	14,961	-	-	14,961
Bad debt	-	20,000	-	20,000
Depreciation and amortization	51,527	48,136	32,758	132,421
Total Expenses	$ 3,025,549	$ 1,501,365	$ 1,119,128	$ 5,646,042

Bill of Rights Institute

Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	$ 71,161	$ 464,364
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	122,188	132,421
Loss on disposal of property and equipment	-	4,525
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	808	(2,118)
Grants receivable	880,000	(180,000)
Prepaid expenses and deposits	(4,178)	61,720
Increase (decrease) in:		
Accounts payable and accrued expenses	244,395	14,654
Refundable advances	(169,668)	371,886
Deferred rent	(8,789)	(2,255)
Net cash provided by operating activities	1,135,917	865,197
Net Increase in Cash and Cash Equivalents	1,135,917	865,197
Cash and Cash Equivalents, beginning of year	2,423,880	1,558,683
Cash and Cash Equivalents, end of year	$ 3,559,797	$ 2,423,880

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

Basis of Accounting and Presentation

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.

Cash Equivalents

For the purpose of the statements of cash flows, the Institute considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase.

Grants Receivable

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.

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

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 fifteen years. Repairs and maintenance costs are expensed as incurred. Donated assets are capitalized at fair market value on the date of donation.

Revenue Recognition

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 from all other sources is recognized when earned.

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.

2. Summary of Significant Accounting Policies (continued)

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.

Recently Issued Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02, *Leases.* The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in the Institute's fiscal year 2022.

Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through April 7, 2021, the date the financial statements were available to be issued.

3. Liquidity and Availability

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.

3. Liquidity and Availability (continued)

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:

	2020	2019
Cash and cash equivalents	$ 3,559,797	$ 2,423,880
Accounts receivable	1,310	2,118
Grants receivable	120,000	1,000,000
Total financial assets	3,681,107	3,425,998
Less: restricted by donors	(461,639)	(255,380)
Total available for general expenditures	$ 3,219,468	$ 3,170,618

4. Concentrations of Risk

Credit Risk

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

Revenue Risk

During the year ended December 31, 2020, 67% of the Institute's revenue and support was provided by two donors. No such risk existed during the year ended December 31, 2019. Any significant reduction in revenue and support from these donors may significantly impact the Institute's financial position and operations.

5. Property and Equipment

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

	2020	2019
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	(747,091)	(624,903)
Property and equipment, net	$ 114,997	$ 237,185

6. Net Assets With Donor Restrictions

Net assets with donor restrictions were purpose restricted for educational programs and totaled $461,639 and $255,380 at December 31, 2020 and 2019, respectively.

7. Commitment and Contingencies

Operating Lease

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

The unamortized portion of the cumulative difference between the actual rent paid and the straight-line rent, and lease incentives, is reflected as deferred rent in the accompanying statements of financial position.

Rent expense totaled $305,061 and $341,392 for the years ended December 31, 2020 and 2019, respectively.

7. Commitment and Contingencies (continued)

Operating Lease (continued)

Future minimum lease payments under the lease are as follows for the years ending December 31:

2021	$ 275,209
2022	282,115
2023	289,159
2024	296,395
2025	303,811
Thereafter	417,328
Total future minimum lease payments	$ 1,864,017

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.

8. Retirement Plan

In conjunction with the service organization relationship disclosed in Note 7, 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 of 100% of the first 1% of employees' compensation, and 50% of the next 5% of employees' compensation. All employees are fully vested into the Plan. Employer contributions totaled $67,710 and $52,120 for the years ended December 31, 2020 and 2019, respectively.

9. Related Party Transactions

The Institute receives support in the form of contributions from the founding members. For the years ended December 31, 2020 and 2019, the Institute received $1,717 and $2,500, respectively, which is included in contributions and grants in the accompanying statements of activities.

10. 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, benefits, and other overhead expenses, which are allocated on the basis of estimates of time and effort.

11. Income Taxes

The Institute is recognized as a tax-exempt organization under Internal Revenue Code (IRC) Section 501(c)(3) 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.