

INDEPENDENT INSTITUTE

Independent Auditor's Report
and Financial Statements

Years Ended June 30, 2021 and 2020

INDEPENDENT INSTITUTE

Years Ended June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Independent Institute

We have audited the accompanying financial statements of Independent Institute, a California nonprofit corporation (the Organization), which comprise the statements of financial position as of June 30, 2021 and 2020, 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.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Independent Institute as of June 30, 2021 and 2020, 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.

BHLF LLP

Walnut Creek, California
October 25, 2021

INDEPENDENT INSTITUTE
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,011,863	\$ 1,108,527
Contributions receivable, net	165,000	40,000
Accounts receivable	226,579	75,917
Inventory	188,851	204,387
Investments	6,602,330	6,133,443
Prepaid expenses	21,162	34,126
Total current assets	8,215,785	7,596,400
Contributions receivable, net of current portion	25,000	40,000
Property and equipment, net	126,973	57,955
Investments, net of current portion	1,021,392	900,267
Total assets	\$ 9,389,150	\$ 8,594,622
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 96,650	\$ 187,690
Accrued expenses	222,681	145,370
Total current liabilities	319,331	333,060
NET ASSETS		
Without donor restrictions	6,489,125	5,977,006
With donor restrictions	2,580,694	2,284,556
Total net assets	9,069,819	8,261,562
Total liabilities and net assets	\$ 9,389,150	\$ 8,594,622

See notes to financial statements

INDEPENDENT INSTITUTE

STATEMENT OF ACTIVITIES Year Ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
REVENUES, GAINS AND SUPPORT			
Book sales and subscriptions	\$ 188,767	\$ -	\$ 188,767
Contributions and grants	2,658,423	1,990,664	4,649,087
Royalties	12,677	-	12,677
Conferences and other	21,380	-	21,380
Net investment return	1,071,723	-	1,071,723
Net assets released from restrictions	1,694,526	(1,694,526)	-
Total revenues, gains and support	5,647,496	296,138	5,943,634
EXPENSES			
Program services			
Sparking Entrepreneurship & Innovation	1,029,529	-	1,029,529
Defending Civil Liberties	1,017,068	-	1,017,068
Disseminating Ideas	1,384,947	-	1,384,947
Educating the Next Generation	966,880	-	966,880
Total program services	4,398,424	-	4,398,424
Supporting services			
General and administrative	238,839	-	238,839
Fundraising	498,114	-	498,114
Total expenses	5,135,377	-	5,135,377
Change in net assets	512,119	296,138	808,257
NET ASSETS			
Beginning of year	5,977,006	2,284,556	8,261,562
End of year	\$ 6,489,125	\$ 2,580,694	\$ 9,069,819

See notes to financial statements

INDEPENDENT INSTITUTE

STATEMENT OF ACTIVITIES Year Ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total
REVENUES, GAINS AND SUPPORT			
Book sales and subscriptions	\$ 139,426	\$ -	\$ 139,426
Contributions and grants	2,465,692	1,828,524	4,294,216
Royalties	7,206	-	7,206
Conferences and other	22,423	-	22,423
Net investment return	398,078	-	398,078
Net assets released from restrictions	2,119,364	(2,119,364)	-
Total revenues, gains and support	5,152,189	(290,840)	4,861,349
EXPENSES			
Program services			
Sparking Entrepreneurship & Innovation	659,891	-	659,891
Defending Civil Liberties	1,209,434	-	1,209,434
Disseminating Ideas	1,399,629	-	1,399,629
Educating the Next Generation	853,956	-	853,956
Total program services	4,122,910	-	4,122,910
Supporting services			
General and administrative	283,028	-	283,028
Fundraising	473,544	-	473,544
Total expenses	4,879,482	-	4,879,482
Change in net assets	272,707	(290,840)	(18,133)
NET ASSETS			
Beginning of year	5,704,299	2,575,396	8,279,695
End of year	\$ 5,977,006	\$ 2,284,556	\$ 8,261,562

See notes to financial statements

INDEPENDENT INSTITUTE
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2021 and 2020

	Sparking Entrepreneur- ship & Innovation	Defending Civil Liberties	Disseminating Ideas	Educating the Next Generation	Total program services	General and administrative	Fundraising	Total
2021								
Salaries and wages	\$ 428,499	\$ 177,771	\$ 350,067	\$ 420,906	\$ 1,377,243	\$ 136,623	\$ 271,932	\$ 1,785,798
Author honoraria and book preparation	147,342	682,272	180,080	44,909	1,054,603	1,970	2,285	1,058,858
Advertising	24,086	31,168	412,991	308,791	777,036	103	2,186	779,325
Professional services	303,443	49,347	185,646	66,824	605,260	12,187	60,039	677,486
Payroll taxes and benefits	70,319	35,961	67,239	64,378	237,897	35,395	41,029	314,321
Printing and postage	10,739	4,581	145,480	9,105	169,905	4,509	71,921	246,335
Office and supplies	27,311	12,739	26,401	23,780	90,231	39,152	32,929	162,312
Occupancy	12,446	20,523	11,901	11,395	56,265	6,265	7,266	69,796
Depreciation	3,983	2,037	3,809	3,647	13,476	2,005	2,326	17,807
Scholarships	-	-	-	12,000	12,000	-	-	12,000
Travel and meetings	1,361	669	1,333	1,145	4,508	630	6,201	11,339
Total expenses	\$ 1,029,529	\$ 1,017,068	\$ 1,384,947	\$ 966,880	\$ 4,398,424	\$ 238,839	\$ 498,114	\$ 5,135,377
2020								
Salaries and wages	\$ 369,116	\$ 183,315	\$ 342,795	\$ 320,765	\$ 1,215,991	\$ 180,502	\$ 207,445	\$ 1,603,938
Author honoraria and book preparation	126,839	812,272	135,280	44,631	1,119,022	91	106	1,119,219
Advertising	8,322	44,107	352,616	329,510	734,555	74	950	735,579
Professional services	50,587	24,187	281,667	43,189	399,630	15,660	92,959	508,249
Printing and postage	11,651	9,270	153,206	12,473	186,600	5,628	90,077	282,305
Payroll taxes and benefits	57,056	29,179	54,557	52,236	193,028	28,719	33,310	255,057
Office and supplies	18,741	12,440	26,326	17,622	75,129	43,618	36,690	155,437
Travel and meetings	2,506	46,870	38,769	7,230	95,375	1,149	3,207	99,731
Occupancy	12,093	46,270	11,563	11,071	80,997	6,087	7,060	94,144
Depreciation	2,980	1,524	2,850	2,729	10,083	1,500	1,740	13,323
Scholarships	-	-	-	12,500	12,500	-	-	12,500
Total expenses	\$ 659,891	\$ 1,209,434	\$ 1,399,629	\$ 853,956	\$ 4,122,910	\$ 283,028	\$ 473,544	\$ 4,879,482

See notes to financial statements

INDEPENDENT INSTITUTE
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 808,257	\$ (18,133)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	17,806	13,323
Net unrealized gain on investments	(754,838)	(192,123)
Net realized loss on investments	(70,396)	(10,508)
Donated securities included in support	(520,898)	(631,983)
Changes in operating assets and liabilities		
Contributions receivable	(110,000)	450,000
Accounts receivable	(150,662)	(47,887)
Inventory	15,536	(5,892)
Prepaid expenses	12,964	449,936
Accounts payable	(91,040)	84,896
Accrued expenses	77,311	53,871
	<u>(765,960)</u>	<u>145,500</u>
Net cash provided by (used for) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(86,824)	(4,548)
Purchases of investments	(219,798)	(711,788)
Proceeds from sales of investments	975,918	706,159
	<u>669,296</u>	<u>(10,177)</u>
Net cash provided by (used for) investing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	(96,664)	135,323
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,108,527</u>	<u>973,204</u>
End of year	<u>\$ 1,011,863</u>	<u>\$ 1,108,527</u>

See notes to financial statements

INDEPENDENT INSTITUTE

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES

Independent Institute, Inc. (Organization) is a non-profit corporation founded in 1986. The Organization's purpose is to sponsor comprehensive studies, which deal with critical social and economic issues. These studies, adhering to the highest standard of independent inquiry, are disseminated through books and other publications and are publicly debated through numerous conference and media programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The net assets, revenues, gains and losses, expenses and other changes in the accompanying financial statements are classified based on the existence or absence of donor imposed restrictions. Accordingly, for reporting purposes, net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions – Represent net assets that are not subject to donor-imposed stipulations and are available to support the Organization's operations. This includes certain amounts designated by the board for specified uses.

Net assets with donor restrictions – Represent contributions that are limited in use by the Organization in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied and removed by actions of the Organization according to the terms of the contribution. Upon satisfaction of such stipulations, the associated net assets are released from net assets with donor restrictions and recognized as net assets without donor restrictions. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. There are no net assets with perpetual donor restrictions at June 30, 2021 and 2020.

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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and equivalents – The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Periodically, such deposits may exceed the federally insured limits.

Accounts receivable – Accounts receivable consists of book and publication sales. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. There was no allowance for doubtful accounts at June 30, 2021 and 2020, respectively.

Investments – The Organization has reported investments in marketable securities with readily determinable fair market values and all investments in debt securities at their fair market values in the statement of financial position. Realized and unrealized gains and losses are reflected in the statement of activities. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Inventory – Inventory is carried at the lower of cost or market and consists primarily of printed publications and books. Inventory is valued using the average cost method. Shipping and handling expenses have been included in costs of sales. Other publication-related costs are classified as author honoraria and book preparation costs.

INDEPENDENT INSTITUTE
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment – Purchased land, buildings and equipment are recorded at cost and donated property and equipment are recorded at the fair value at the date of the contribution. Management has established a capitalization threshold of \$1,000 per item with useful lives greater than one year. Maintenance and repairs are charged to operations when incurred. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations. Depreciation of property and equipment is determined using the straight-line method over the following estimated useful lives, which ranges from 3 to 33 years.

Revenue recognition – Book sales and publications are recognized when publications are primarily recognized when performance obligations are satisfied and control is transferred to the customer, which generally occurs upon shipment or electronic delivery for e-books. All publishing revenue is recorded net of all allowances, discounts, and returns.

Contributions and contributions receivable – Contributions receivable are recognized when the donor makes an unconditional promise to give to the Organization. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. There was no allowance for doubtful accounts at June 30, 2021 and 2020, respectively.

All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increase or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law.

Gifts in kind – The Organization received a donation of a gift in kind for free advertising services through Google AdWords. Gifts in kind received as donations are valued at fair value and are recorded as unrestricted contributions as well as expense in the period received. The Organization received \$536,759 and \$479,740 of gifts in kind during the years ended June 30, 2021 and 2020, respectively.

Functional allocation of expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Direct expenses have been allocated accordingly, and certain costs have been allocated among the program services and supporting services benefited. Such allocations are determined by management on an equitable basis based on time and effort of personnel within the Organization.

Endowment Funds – The Organization maintains a quasi-endowment fund as a component of board-designated net assets without donor restrictions. Quasi-endowment funds are invested in publicly traded securities with the other investments held. The Organization's policy is to spend 5% of the annual value of endowment funds on current programs, which can be modified at any time by the Board of Directors.

Reclassifications – Certain prior year balances have been reclassified to conform with current year financial statement presentation. Reclassifications had no impact on prior year change in net assets nor total net assets.

INDEPENDENT INSTITUTE

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting pronouncements – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity also should disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The organization adopted ASU 2014-09 and all subsequent ASUs that modified Topic 606 on July 1, 2020, using the full retrospective approach, under which the Organization applied the new guidance as if it had been in effect since the inception of customer contracts. The effect of adopting this guidance did not have a material impact on the Organization.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under ASC Topic 840. Under the guidance of ASU 2016-02, a lessee should recognize in the balance sheet a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The ASU is effective for fiscal years beginning after December 15, 2021. The Organization has not yet completed its assessment of the impact of the new standard on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and Accounting for Contributions Received and Contributions Made* (Topic 958), which amends the accounting guidance related to (1) evaluating whether transactions should be accounted for as contributions or exchange transactions, and (2) determining whether a contribution is conditional. The ASU is effective for annual periods beginning after December 15, 2018 for resource recipients, and after December 15, 2019 for resource providers with early adoption permissible. As a resource recipient, the Organization adopted this guidance effective July 1, 2019, with no impact to its financial statements.

3. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,011,863	\$ 1,108,527
Contributions receivable, current	165,000	40,000
Accounts receivable	226,579	75,917
Investments	<u>7,623,722</u>	<u>6,133,443</u>
	9,027,164	7,357,887
Less amounts not available to be used within one year		
Quasi-endowment established by the Board	<u>(1,075,149)</u>	<u>(947,650)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 7,952,015</u>	<u>\$ 6,410,237</u>

The Organization's goal is generally to maintain financial assets to meet 180 days of operating expenses (approximately \$2.6 million). As part of its liquidity plan, the Board has designated net assets to support current programs of the Organization as determined by the Board (see Note 7).

INDEPENDENT INSTITUTE
NOTES TO FINANCIAL STATEMENTS

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable are stated as unpaid balances, less an allowance for doubtful accounts.

Contributions receivable consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 165,000	\$ 40,000
One or more years	<u>25,000</u>	<u>40,000</u>
	<u>\$ 190,000</u>	<u>\$ 80,000</u>

5. INVESTMENTS

Investments consist of the following at June 30:

	<u>2021</u>		<u>2020</u>	
	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>
Mutual funds	\$ 6,301,275	\$ 5,428,444	\$ 5,726,964	\$ 5,555,926
Exchange-traded funds	<u>1,322,447</u>	<u>1,359,794</u>	<u>1,306,746</u>	<u>1,228,506</u>
	<u>\$ 7,623,722</u>	<u>\$ 6,788,238</u>	<u>\$ 7,033,710</u>	<u>\$ 6,784,432</u>

Net investment return has been classified as increases in net assets without donor restrictions and was comprised of the following for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 246,489	\$ 195,447
Realized gain on investments	70,396	10,508
Change in unrealized gain on investments	<u>754,838</u>	<u>192,123</u>
	<u>\$ 1,071,723</u>	<u>\$ 398,078</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 92,341	\$ 92,341
Furniture	46,815	20,965
Library	27,446	27,446
Leasehold improvements	<u>124,691</u>	<u>63,715</u>
	291,293	204,467
Accumulated depreciation	<u>(164,320)</u>	<u>(146,512)</u>
Total	<u>\$ 126,973</u>	<u>\$ 57,955</u>

INDEPENDENT INSTITUTE

NOTES TO FINANCIAL STATEMENTS

7. FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020:

Exchange-traded funds: Exchange-traded equity securities are generally valued based on quoted prices from the exchange. To the extent these securities are actively traded, valuation adjustments are not applied. Listed fund units are generally marked to the exchange-traded price, while listed fund units if not actively traded and unlisted fund units are generally marked to Net Asset Value ("NAV").

Mutual funds: Valued at the net asset value (NAV) of shares, based on quoted market prices, held by the Organization at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization management believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

INDEPENDENT INSTITUTE
NOTES TO FINANCIAL STATEMENTS

7. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<u>2021</u>				
Mutual funds	\$ 6,301,275	\$ -	\$ -	\$ 6,301,275
Exchange-traded funds	1,322,447	-	-	1,322,447
	<u>\$ 7,623,722</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,623,722</u>
<u>2020</u>				
Mutual funds	\$ 5,726,964	\$ -	\$ -	\$ 5,726,964
Exchange-traded funds	1,306,746	-	-	1,306,746
	<u>\$ 7,033,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,033,710</u>

8. INCOME TAXES

The Organization was granted tax-exempt status other than a private foundation as provided by Internal Revenue Code Section 501(c)(3) in a determination letter dated September 23, 1986. As a result, the Organization is exempt from paying income taxes, except with respect to income unrelated to its tax exempt purpose. At June 30, 2021 and 2020, respectively, the Organization does not have any unrelated business income, and thus no provision for income taxes has been reflected in these financial statements.

The Organization has analyzed tax positions taken for filings with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial position, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at June 30, 2021 and 2020, respectively. The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

As of June 30, 2021, periods subsequent to 2017 are subject to audit by various taxing authorities; however, there are currently no audits for any tax periods in progress.

INDEPENDENT INSTITUTE

NOTES TO FINANCIAL STATEMENTS

9. COMMITMENTS AND CONTINGENCIES

Operating lease - The Organization leases office and warehouse space at its headquarters in Oakland, California, under terms of a lease dated July 1, 2015, on a monthly basis. The Organization also has copier and office equipment leases.

The future lease obligations under all long term leases is as follows as June 30, 2021:

2022	17,079
2023	15,139
2024	10,093
	10,093
	\$ 42,311

Rent expense totaled \$69,797 and \$94,143 for the years ended June 30, 2021 and 2020, respectively.

COVID-19 pandemic - On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout the United States. The impact of this pandemic has been and will likely continue to be extensive in many aspects of society, which has resulted in and will likely continue to result in significant disruptions to the global economy, as well as business and capital markets around the world. In an effort to halt the outbreak of COVID-19, the United States has placed significant restrictions on travel and many businesses have announced extended closures which could adversely impact the Organization's operations. As of this date, we cannot reasonably estimate the remaining length or severity of this pandemic, or the extent to which the disruption may materially impact the financial position, activities, and cash flows in fiscal year 2022. Management is to identify and mitigate financial, operational, and liquidity related risks to this pandemic.

10. NET ASSETS

Net assets with donor restrictions at June 30, are as follows:

	2021	2020
Specific Purpose		
Sparkling Entrepreneurship and Innovation	\$ 1,663,385	\$ 1,239,666
Defending Civil Liberties	263,950	180,615
Disseminating Ideas	101,250	121,250
Educating the Next Generation	552,109	743,025
	\$ 2,580,694	\$ 2,284,556

Net assets released from net assets with donor restrictions for the years ended June 30, are as follows:

	2021	2020
Satisfaction of Purpose Restrictions		
Sparkling Entrepreneurship and Innovation	\$ 318,734	\$ 154,582
Defending Civil Liberties	701,665	1,120,715
Disseminating Ideas	30,000	10,000
Educating the Next Generation	644,127	534,067
Passage of Time		
Contribution receivable	-	300,000
	\$ 1,694,526	\$ 2,119,364

INDEPENDENT INSTITUTE
NOTES TO FINANCIAL STATEMENTS

10. NET ASSETS (CONTINUED)

The Board has designated certain unrestricted net assets for the Organization's quasi-endowment fund. The quasi-endowment fund is used to support current programs of the Organization as determined by the Board. Funds are invested and have been designated as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 947,650	\$ 931,576
Investment income	178,926	63,891
Disbursements	<u>(51,427)</u>	<u>(47,817)</u>
Balance, end of year	<u>\$ 1,075,149</u>	<u>\$ 947,650</u>

11. RELATED PARTIES

In the years ended June 30, 2021 and 2020, the Organization received contributions from various Board Members of the Organization totaling \$866,452, and \$366,665, respectively. The Organization also received contributions from foundations controlled by Board Members totaling \$340,000 and \$425,000, in the years ended June 30, 2021 and 2020, respectively.

The Organization leases its office location in Oakland disclosed in Note 9 above from an entity wholly owned by the Senior Vice President and Board Member of the Organization. Total rent paid under the lease was \$44,100 for the years ended June 30, 2021 and 2020.

12. SUBSEQUENT EVENTS

The Organization's management has reviewed the results of operations for the period of time from its year ended June 30, 2021 through October 25, 2021, the date these financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events have occurred, the nature of which would require disclosure.