INSTITUTE FOR FREE SPEECH
(a nonprofit organization)

FINANCIAL STATEMENTS

Year ended December 31, 2020
with Summarized Comparative Information
for the year ended December 31, 2019

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700 N. Fairfax St. Ste 400
Alexandria, VA 22314-2635
tel. 703.535.1200
fax. 703.535.1205
rennercpa.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Institute for Free Speech
Washington, DC

Opinion

We have audited the accompanying financial statements of Institute for Free Speech (the Institute), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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, 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.

Emphasis of Matter - Contingencies

As noted in Note 14 to the financial statements, economic uncertainties have arisen as a result of the spread of the novel coronavirus which are likely to impact the Institute's operations. Our opinion is not modified with respect to this matter and no pandemic implications are accounted for in these financial statements.

Basis for Opinon

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' 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 audit. 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 these 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.

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.

Auditors' 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 auditors' 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.

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.

Report on Summarized Comparative Information

We have previously audited the Institute's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Renner and Company, CPA, P.C.

Alexandria, Virginia
October 15, 2021

INSTITUTE FOR FREE SPEECH

STATEMENT OF FINANCIAL POSITION
December 31, 2020 (with Comparative Information as of December 31, 2019)

ASSETS

	2020	2019
CURRENT ASSETS		
Cash	$ 1,395,709	$ 372,554
Investments	3,680,754	3,835,256
Attorneys fees receivable	259,055	-
Accounts receivable	5,160	29,704
Prepaid expenses	4,496	25,086
TOTAL CURRENT ASSETS	5,345,174	4,262,600
PROPERTY AND EQUIPMENT, at cost, net	420,648	54,940
INTANGIBLE ASSETS		
Website development, at cost, net	3,709	14,301
OTHER ASSETS		
Security deposit	16,474	32,947
TOTAL ASSETS	$ 5,786,005	$ 4,364,788

LIABILITIES AND NET ASSETS

	2020	2019
CURRENT LIABILITIES		
Accounts payable	$ 15,083	$ 91,026
Accrued expenses	353,593	212,590
Capital lease obligation	2,951	2,828
Deferred rent	21,799	-
Deferred tenant allowance	32,501	-
Escrow	295	965
TOTAL CURRENT LIABILITIES	426,222	307,409
LONG-TERM LIABILITIES		
Capital lease obligation, net of current portion	7,396	10,347
Deferred rent, net of current portion	172,642	-
Deferred tenant allowance, net of current portion	292,508	-
TOTAL LONG-TERM LIABILITIES	472,546	10,347
TOTAL LIABILITIES	898,768	317,756
NET ASSETS WITHOUT DONOR RESTRICTIONS	4,887,237	4,047,032
TOTAL LIABILITIES AND NET ASSETS	$ 5,786,005	$ 4,364,788

See Notes to Financial Statements.

INSTITUTE FOR FREE SPEECH

STATEMENT OF ACTIVITIES
Year Ended December 31, 2020 (with Summarized Comparative Information for the year ended December 31, 2019)

	2020			
	Without Donor Restrictions	With Donor Restrictions	Total	2019
SUPPORT AND REVENUE				
Contributions	$ 2,832,692	$ -	$ 2,832,692	$ 2,486,518
Attorney fees	355,592	-	355,592	2,562
Donated services	173,516	-	173,516	190,865
Rental income	42,750	-	42,750	-
Miscellaneous	2,718	-	2,718	4,592
Investment income	59,498	-	59,498	75,678
TOTAL SUPPORT AND REVENUE	3,466,766	-	3,466,766	2,760,215
EXPENSES				
Program services	2,392,815	-	2,392,815	2,198,934
Management and general	80,268	-	80,268	78,768
Development	153,478	-	153,478	215,630
TOTAL EXPENSES	2,626,561	-	2,626,561	2,493,332
CHANGE IN NET ASSETS	840,205	-	840,205	266,883
NET ASSETS, beginning of year	4,047,032	-	4,047,032	3,780,149
NET ASSETS, end of year	$ 4,887,237	$ -	$ 4,887,237	$ 4,047,032

See Notes to Financial Statements.

INSTITUTE FOR FREE SPEECH

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020 (with Summarized Comparative Information for the year ended December 31, 2019)

	2020							2019
	Program Services				Supporting Services			
	Communication	Legal	Research and External Relations	Total Program	Management and General	Development	Total	Total
Salaries	$ 306,870	$ 766,852	$ 339,429	$ 1,413,151	$ 26,942	$ 85,876	$ 1,525,969	$ 1,417,339
Payroll taxes	21,798	54,472	24,111	100,381	1,913	6,100	108,394	102,277
Employee benefits	31,282	78,171	34,601	144,054	2,746	8,754	155,554	137,032
Rent	35,399	88,460	39,155	163,014	3,107	9,906	176,027	145,348
Donated services	108,353	65,163	-	173,516	-	-	173,516	190,865
Miscellaneous	18,603	46,489	20,577	85,669	1,634	5,206	92,509	19,326
Professional fees	18,480	26,404	13,350	58,234	4,574	24,569	87,377	150,558
Depreciation and amortization	13,054	32,621	14,439	60,114	1,144	3,654	64,912	15,287
Dues and subscriptions	783	43,343	8,778	52,904	2,105	1,161	56,170	81,545
Mailing, postage, and printing	16,794	10,901	2,691	30,386	3,928	1,785	36,099	44,915
Legal	-	22,723	1,500	24,223	2,846	3,065	30,134	26,053
Travel	-	19,018	5,913	24,931	3,846	61	28,838	78,728
Supplies	3,807	9,513	4,211	17,531	334	1,065	18,930	7,699
Computer services	3,701	9,249	4,094	17,044	324	1,036	18,404	17,008
Accounting fees	-	-	-	-	16,816	-	16,816	16,029
Marketing	11,166	1,100	1,300	13,566	-	924	14,490	6,694
Insurance	-	6,484	-	6,484	-	-	6,484	12,016
Business meals	-	223	19	242	6,160	-	6,402	1,735
Telephone and internet	792	1,980	876	3,648	70	222	3,940	3,435
Bank fees	338	844	373	1,555	30	94	1,679	1,075
Conference	-	27	1,349	1,376	-	-	1,376	14,300
Licenses and fees	-	-	-	-	1,241	-	1,241	1,218
Branding	43	-	749	792	-	-	792	444
Interest	-	-	-	-	508	-	508	406
Grant expense	-	-	-	-	-	-	-	2,000
Total	$ 591,263	$ 1,284,037	$ 517,515	$ 2,392,815	$ 80,268	$ 153,478	$ 2,626,561	$ 2,493,332

See Notes to Financial Statements.

INSTITUTE FOR FREE SPEECH

STATEMENT OF CASH FLOWS
Year Ended December 31, 2020 (with Comparative Information for the year ended December 31, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Support and revenue	$ 2,999,241	$ 2,488,707
Interest income	60,609	70,542
Total cash received from operations	3,059,850	2,559,249
Cash disbursed by operations		
Payment to suppliers and employees	1,766,060	2,253,607
Interest expense	508	406
Total cash disbursed by operations	1,766,568	2,254,013
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,293,282	305,236
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(4,076,500)	(3,756,902)
Sale of investments	4,229,891	3,214,000
Purchase of property and equipment	(420,690)	(40,508)
NET CASH USED BY INVESTING ACTIVITIES	(267,299)	(583,410)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	(2,828)	(2,147)
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	1,023,155	(280,321)
CASH AND RESTRICTED CASH, beginning of year	372,554	652,875
CASH AND RESTRICTED CASH, end of year	$ 1,395,709	$ 372,554
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Unrealized loss (gain) in market value of investments	$ 1,111	$ (5,136)
(Decrease) increase in investment value	(1,111)	5,136
Purchase of equipment under capital lease	-	(14,995)
Capital lease obligation	-	14,995
	$ -	$ -

See Notes to Financial Statements.

INSTITUTE FOR FREE SPEECH

STATEMENT OF CASH FLOWS
Year Ended December 31, 2020 (with Comparative Information for the year ended December 31, 2019)

	2020	2019
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	$ 840,205	$ 266,883
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Unrealized loss (gain) on investments	1,111	(5,136)
Noncash occupancy cost - Deferred rent	194,441	-
Noncash occupancy cost - Deferred tenant allowance	325,009	-
Disposal of assets	662	-
Depreciation and amortization expense	64,912	15,287
	586,135	10,151
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS (USING) PROVIDING CASH		
ASSETS		
Attorneys fees receivable	(259,055)	-
Accounts receivable	24,544	(4,965)
Prepaid expenses	20,590	(8,967)
Security deposit	16,473	(32,947)
Escrow	(670)	585
	(198,118)	(46,294)
LIABILITIES		
Accounts payable	(75,943)	25,986
Accrued expenses	141,003	48,510
	65,060	74,496
NET CHANGES IN ASSETS AND LIABILITIES	(133,058)	28,202
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,293,282	$ 305,236

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 (with Comparative Information as of and for the year ended December 31, 2019)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE

Organization and Purpose

Institute for Free Speech (the Institute) is an independent, nonprofit organization incorporated in Virginia in November 2005 that promotes and defends the political rights to free speech, press, assembly, and petition guaranteed by the First Amendment through litigation, communication, research and education. The Institute's major program activities are as follows:

1. Litigation - The litigation program of the Institute pursues strategic litigation and files amicus briefs to defend the First Amendment rights to free political speech, press, assembly and petition.

2. Research and External Relations - The Institute publishes research on the effects of laws and regulations on the First Amendment rights to free political speech, press, assembly and petition. The Institute also tracks and analyzes proposed legislation and regulations at the federal and state levels that could affect these First Amendment rights.

3. Communication - The Institute educates its supporters and the public at large of the benefits of the First Amendment rights to free political speech, press, assembly and petition and the importance of these rights to competitive elections to ensure integrity at all levels of the political process. It communicates this information through published articles in newspapers, websites and magazines, briefings of and interviews with journalists, appearances on television and radio, newsletters and an extensive website and blog.

Significant Accounting Policies

Income Taxes

The Institute is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been granted public charity status. The Institute conducts no taxable activities. Accordingly, no provision for income taxes has been provided in the financial statements.

In accounting for uncertainty in income taxes, accounting standards require an entity to recognize the financial statement impact of a tax position when it is more-likely-than-not that the position will not be sustained upon examination. Management evaluated the Institute's tax positions and concluded there are no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (CONTINUED)

Significant Accounting Policies (Continued)

Basis of Accounting

The Institute prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Revenues are recognized in the period in which they are earned; expenses are recognized in the period in which they are incurred.

Summarized Information

The financial statements include certain summarized comparative information in total but not by each class of net assets. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Cash and Cash Equivalents

Cash consists of a checking account and cash on hand. The Institute considers as cash equivalents highly liquid investments which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase. There were no cash equivalents as of December 31, 2020 and 2019.

Investments

The Institute's investment portfolio includes certificates of deposit, government money market funds, and an insured deposit program. Certificates of deposit with maturities no more than one year are classified as short-term investments. Certificates with maturities greater than one year are classified as other long-term investments. Certificates of deposit are reported at cost plus accrued interest which approximates fair value. The certificates of deposit bear interest ranging from 1.8% to 2.5% at December 31, 2020 and have maturities ranging from January 2021 thru April 2021, as of December 31, 2020.

Government money market funds are exposed to various risks such as market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (CONTINUED)

Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Institute provides for losses on accounts receivable using the allowance method. Management has determined that all significant receivables are collectible and, therefore, an allowance for doubtful accounts has not been established. Accounts receivable are considered past due if payments are not received within 30 days of the invoice date. Returns are recorded as accepted and accounts receivable deemed uncollectible are charged off based on individual credit evaluation and specific circumstances of the parties involved.

Property and Depreciation

All acquisitions of property and equipment in excess of $1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the appropriate fair value at the date of donation. Depreciation is computed using the straight-line method.

Intangible Assets

Intangible assets are carried at cost. Amortization is computed using the straight-line method based on the asset's estimated useful life. When the asset is retired or otherwise disposed of, the cost and related accumulated amortization are removed from the accounts, and any resulting gain or loss is recognized.

Classes of Assets

In accordance with U.S. GAAP, the Institute's net assets are classified into two categories: net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restriction

The Institute includes operating net assets which are available for the general operations of the Institute as net assets without donor restriction.

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (CONTINUED)

Significant Accounting Policies (Continued)

Classes of Assets (Continued)

Net Assets With Donor Restriction

The Institute reports gifts of cash and other restricted support if they are received with donor stipulations that limit the use of donated assets as net assets with donor restriction. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restriction.

Investment gains and losses earned on donor restricted funds held by the Institute are recorded as an increase or decrease in net assets without donor restriction.

Revenue Recognition

The Institute reports contributions with donor-imposed restrictions as net assets with donor restrictions; however, donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions. All 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, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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.

Disaggregation of Revenue

The Institute is dependent on the strength of its ability to solicit donations and grants from outside sources. The Institute recognizes revenue as it is received for financial reporting purposes. The Institute classifies revenue between grants and donations, and these categories are used to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

Performance Obligations

The Institute's revenue solely consists of donations and grants from outside sources. No performance obligations exist as of the December 31, 2020 fiscal year end.

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (CONTINUED)

Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Significant Judgments

The Institute's revenue is a result of donations and grants from independent outside sources. As a result, revenue is recognized as it is received.

Adoption of New Accounting Standard

The Institute has adopted the financial statement presentation and disclosure standards contained in the Financial Accounting Standards Board Accounting Standards Update 2014-09, Revenue from Contracts with Customers, modifying ASC sections 606, 840, and 842, respectively. The change has been applied as of December 31, 2020, with no effect on beginning net assets without donor restrictions.

Donated Services

The Institute receives donated professional services for legal, research, and communication projects. These donated services have been recorded in the financial statements at their estimated fair value in the statement of activities.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, such as salaries, payroll taxes, employee benefits, rent, miscellaneous, professional fees, depreciation and amortization, dues and subscriptions, mailing, postage, and printing, legal, travel, supplies, computer services, marketing, business meals, telephone and internet, and bank fees have been allocated among the program and supporting services benefits based on level of effort or by department based on direct association.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues during the reporting period. Actual results could differ from those estimates.

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (CONTINUED)

Significant Accounting Policies (Continued)

Liquidity

The Institute maintains a liquid cash balance in checking and money market accounts in an amount necessary to meet its anticipated expenditures for the next 30 days. Cash in excess of this amount is invested in short-term investments.

The Institute reconciles the balance of financial assets subject to donor restrictions monthly, based on restricted amounts used and received. Restricted cash and investments are separately identified and monitored as part of the Institute's monthly financial reporting process.

The Institute's financial assets available within one year to meet cash needs for general expenditures through December 31, 2021 are as follows:

Financial Assets	
Cash	$ 1,395,709
Investments	3,680,754
Attorneys fees receivable	259,055
Accounts receivable	5,160
Financial assets available within one year to meet cash needs for general expenditures within one year	$ 5,340,678

All attorneys fees receivable and accounts receivable have been collected subsequent to the fiscal year end.

2. CASH

Cash as of December 31, 2020 and 2019 consisted of the following:

	2020	2019
Operating accounts	$ 1,395,709	$ 372,554

The Institute maintains cash balances at multiple financial institutions. The balances are insured by the Federal Deposit Insurance Corporation. As of December 31, 2020 and 2019, the Institute's cash balances in excess of federal deposit insurance coverage totaled $1,110,094 and $106,882, respectively.

3. PROPERTY AND DEPRECIATION

Property and depreciation for the years ended December 31, 2020 and 2019 consisted of the following:

	2020			
	Cost	Depreciation expense	Accumulated depreciation	Useful life (years)
Furniture, fixtures, and equipment	$ 87,790	$ 14,886	$ 21,358	3 - 5
Leasehold improvements	380,653	36,434	36,434	5
Equipment under capital lease	14,995	2,999	4,998	5
	$ 483,438	$ 54,319	$ 62,790	

	2019			
	Cost	Depreciation expense	Accumulated depreciation	Useful life (years)
Furniture, fixtures, and equipment	$ 49,244	$ 2,406	$ 7,300	3 - 5
Equipment under capital lease	14,995	2,289	1,999	5
	$ 64,239	$ 4,695	$ 9,299	

4. INTANGIBLE ASSET

Intangible assets and accumulated amortization as of December 31, 2020 and 2019, and amortization expense for the years then ended is as follows:

	2020		
	Cost	Amortization Expense	Accumulated Amortization
Website development	$ 31,776	$ 10,592	$ 28,067

	2019		
	Cost	Amortization Expense	Accumulated Amortization
Website development	$ 31,776	$ 10,592	$ 17,475

5. INVESTMENTS

Investments are recorded at fair value and consist of the following as of December 31, 2020 and 2019:

	2020		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Insured deposit program	$ 1,727,428	$ 1,727,428	$ -
Government money market funds	703,326	703,326	-
Certificates of deposit - negotiable	1,250,000	1,250,000	-
	$ 3,680,754	$ 3,680,754	$ -

	2019		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Insured deposit program	$ 862,581	$ 862,581	$ -
Government money market funds	501,564	501,564	-
Certificates of deposit	2,470,000	2,471,111	1,111
	$ 3,834,145	$ 3,835,256	$ 1,111

6. FAIR VALUE MEASUREMENTS

The Institute records investments based on fair value on a recurring basis. Financial accounting and reporting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The standard emphasizes that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the standards established a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Institute has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Institute’s assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets or liabilities.

6. FAIR VALUE MEASUREMENTS (CONTINUED)

The following summarizes investments, measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of December 31, 2020 and 2019:

	2020		
	Fair Value	Level 1	Level 2
Insured deposit program	$ 1,727,428	$ 1,727,428	$ -
Government money market funds	703,326	703,326	-
Certificates of deposit	1,250,000	-	1,250,000
	$ 3,680,754	$ 2,430,754	$ 1,250,000

	2019		
	Fair Value	Level 1	Level 2
Insured deposit program	$ 862,581	$ 862,581	$ -
Government money market funds	501,564	501,564	-
Certificates of deposit	2,471,111	-	2,471,111
	$ 3,835,256	$ 1,364,145	$ 2,471,111

7. CAPITAL LEASE

The Institute entered into an agreement to lease a copier machine under a capital lease which commenced in May 2019 and expires April 2024. The assets and liabilities under the capital lease are recorded at the lower of the present value of the minimum lease payments or the market value of the asset and will be amortized over its estimated useful life. The capital lease obligation is secured by the leased assets.

Future minimum lease payments under this capital lease are as follows:

Fiscal year ending	Total Payments	Interest Portion	Net
2021	$ 3,336	$ 385	$ 2,951
2022	3,336	256	3,080
2023	3,336	122	3,214
2024	1,112	10	1,102
	$ 11,120	$ 773	$ 10,347

Total interest expense for the years ended 2020 and 2019 was $508 and $406, respectively.

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 (with Comparative Information as of and for the year ended December 31, 2019)

8. NET ASSETS WITH DONOR RESTRICTION

The Institute maintained no net assets with donor restriction as of December 31, 2020. A summary of activity in net assets with donor restriction for the year ended December 31, 2019 is as follows:

	2019			
	Balance at December 31, 2018	Support and revenue	Net assets released from restrictions	Balance at December 31, 2019
Purpose restricted				
Staff attorney	$ 23,747	$ -	$ (23,747)	$ -

9. RETIREMENT PLAN

The Institute maintains a 401K plan into which employees can contribute up to $12,000 of their compensation in pretax dollars. The Institute matches employee contributions up to 3% of an employee's salary. Contribution expense for the Institute totaled $41,305 and $37,590 for the years ended 2020 and 2019, respectively.

10. COMMITMENTS - OFFICE LEASE

Operating Lease

The Institute entered into a new lease agreement in June 2019 to lease office space in Washington, DC for 11 years with a commencement date of January 1, 2020. The monthly base rent at the start of the lease is $16,474 with an annual escalation in rent payments of 4%. The lease contains an early opt out at 8 years and option to extend the term by five years. The first ten months of rent are also abated as part of the terms of the lease agreement. Future minimum lease payments are as follows:

Fiscal year ended	
2021	$ 205,589
2022	213,813
2023	222,365
2024	231,260
2025	240,510
Thereafter	1,354,789
	$ 2,468,326

10. COMMITMENTS - OFFICE LEASE (CONTINUED)

Rental expense is recognized on a straight-line basis over the lease term even if the payments are not made on a straight-line basis. The difference between actual rental payments and the computed rental amounts is reported as deferred rent. Amounts recognized in excess of total payments made at December 31, 2020 total $194,441.

Similarly, a deferred tenant allowance is recognized upon utilization of the funds allowed for leasehold improvements and is amortized over the lease term. No additional payments are made after the allowance is utilized. The amount unamortized is reported as a deferred tenant allowance liability. Unamortized deferred tenant allowance for which no payments are required at December 31, 2020 totaled $325,009.

Sublease

The Institute entered into a sublease agreement that commenced April 1, 2020. Lease income for the year ended December 31, 2020 totaled $42,750. The sublease continues through March 31, 2022. The subtenant has an option to extend the term of the sublease for two additional one year terms, subordinate only to the Institute's need to use the space for its own use. Future minimum lease payments to be received are as follows:

Fiscal year ended		
2021	$	58,520
2022		19,760
	$	78,280

11. RELATED PARTY TRANSACTIONS

The Institute has entered into an agreement with the Chairman of its Board of Directors for consulting services to provide legal services, assist the Institute's communications activities, including but not limited to media interviews, articles, blog posts and speeches, assist with research and external relations, including testimony, letters and speeches, assist fundraising activities and provide other services as requested. The original agreement expired December 31, 2011; however, it has been renewed through December 31, 2016, with automatic renewals on an annual basis unless cancelled in writing. The consulting services were $66,000 for both years ended December 31, 2020 and 2019.

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 (with Comparative Information as of and for the year ended December 31, 2019)

12. CONCENTRATIONS

During 2020, the Institute received $2,500,000 or 72.09% of its total revenue from sixteen donors. During 2019, the Institute received $2,180,637 or 79.00% of its total revenue from fourteen donors. No contracts or pledges exist as a guarantee that these levels of contributions will continue.

13. DONATED SERVICES

The fair value of donated services included as in-kind revenue and program services in the accompanying financial statements for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Legal	$ 60,500	$ 106,995
Communications	113,016	81,870
Research and external relations	-	2,000
	$ 173,516	$ 190,865

14. CONTINGENCIES - NOVEL COVID-19 CORONAVIRUS

Citizens and economies of the United States and other countries have been significantly impacted by the coronavirus (COVID-19) pandemic. While it is premature to accurately predict how the coronavirus will ultimately affect the Institute's operations because the disease's severity and duration are uncertain, we expect 2021 financial results will be significantly impacted and the implications beyond 2021, while unclear, could also be adversely impacted. No pandemic implications are accounted for in these financial statements.

15. SUBSEQUENT EVENTS

In preparing the financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through October 15, 2021, the date of the financial statements were available to be issued.

Attorneys Fees Receivable and Accounts Receivable

All attorney fees receivable and accounts receivable have been collected subsequent to the fiscal year end.