INSTITUTE FOR CITIZENS AND SCHOLARS
Financial Statements
June 30, 2023 and 2022
With Independent Auditor's Report

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ADVISORY TAX AUDIT

Institute for Citizens and Scholars
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ADVISORY TAX AUDIT

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Institute for Citizens and Scholars:

Opinion

We have audited the financial statements of Institute for Citizens and Scholars (the "Organization"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Institute for Citizens and Scholars as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 2 to the financial statements, the Organization adopted Topic 842, *Leases*, as of July 1, 2022. Prior period amounts have not been adjusted and continue to be reported in accordance with the Organization's historic accounting under Topic 840, *Leases*. Our conclusion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 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 GAAS, 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 Organization'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 Organization'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.

Withum Smith+Brown, PC

November 15, 2023

Institute for Citizens and Scholars
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	$ 3,701,507	$ 3,453,965
Unconditional promises to give, current portion, net	2,118,547	4,110,362
Prepaid expenses and other current assets	20,038	33,359
Total current assets	5,840,092	7,597,686
Investments	6,304,138	8,303,693
Unconditional promises to give, noncurrent portion, net	480,803	1,168,664
Operating right-of-use asset, net	1,773,552	-
Property and equipment, at cost, net of accumulated depreciation	151,250	179,500
Security deposits	68,163	68,163
Total assets	$ 14,617,998	$ 17,317,706
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 424,742	$ 510,047
Current portion of operating lease liability	232,935	-
Fellowships payable	867,800	1,295,700
Accrued vacation	184,841	84,508
Total current liabilities	1,710,318	1,890,255
Noncurrent liabilities		
Operating lease liability, net of current portion	1,552,710	-
Total liabilities	3,263,028	1,890,255
Net assets		
Without donor restrictions	1,313,275	2,648,892
With donor restrictions	10,041,695	12,778,559
Total net assets	11,354,970	15,427,451
Total liabilities and net assets	$ 14,617,998	$ 17,317,706

The Notes to Financial Statements are an integral part of these statements.

Institute for Citizens and Scholars
Statements of Activities
Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and other revenue						
Public support						
Government	$ 396,277	$ -	$ 396,277	$ -	$ -	$ -
Foundations	116,993	5,365,544	5,482,537	256,450	7,277,246	7,533,696
Individuals	839,973	40,109	880,082	718,135	120,719	838,854
Net assets released from restrictions	8,308,213	(8,308,213)	-	6,859,844	(6,859,844)	-
Total public support	9,661,456	(2,902,560)	6,758,896	7,834,429	538,121	8,372,550
Other revenue						
Investment gain (loss)	275,739	165,696	441,435	(336,255)	(283,528)	(619,783)
Service fees	925,656	-	925,656	284,785	-	284,785
Total support and other revenue	10,862,851	(2,736,864)	8,125,987	7,782,959	254,593	8,037,552
Expenses						
Program services						
Higher education	2,277,274	-	2,277,274	2,805,728	-	2,805,728
Teaching and leadership	2,524,947	-	2,524,947	2,937,760	-	2,937,760
Civics education	2,135,747	-	2,135,747	1,492,756	-	1,492,756
Total program services	6,937,968	-	6,937,968	7,236,244	-	7,236,244
Supporting services						
Management and general	2,966,960	-	2,966,960	1,226,596	-	1,226,596
Fundraising	1,193,540	-	1,193,540	951,697	-	951,697
Total supporting services	4,160,500	-	4,160,500	2,178,293	-	2,178,293
Total expenses	11,098,468	-	11,098,468	9,414,537	-	9,414,537
Changes in net assets from operations	(235,617)	(2,736,864)	(2,972,481)	(1,631,578)	254,593	(1,376,985)
Loss related to non-controlling interest	(1,100,000)	-	(1,100,000)	-	-	-
Changes in net assets	(1,335,617)	(2,736,864)	(4,072,481)	(1,631,578)	254,593	(1,376,985)
Net assets						
Beginning of year	2,648,892	12,778,559	15,427,451	4,280,470	12,523,966	16,804,436
End of year	$ 1,313,275	$ 10,041,695	$ 11,354,970	$ 2,648,892	$ 12,778,559	$ 15,427,451

The Notes to Financial Statements are an integral part of these statements.

Institute for Citizens and Scholars
Statements of Functional Expenses
Years Ended June 30, 2023 and 2022

2023

	Program Services				Supporting Services			
	Higher Education	Teaching and Leadership	Civics Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Grants and fellowships to individuals and organizations	$ 1,434,546	$ 585,784	$ 315,477	$ 2,335,807	$ 566	$ -	$ 566	$ 2,336,373
Salary, fringe benefits, and payroll taxes	566,552	958,366	1,495,564	3,020,482	901,236	913,874	1,815,110	4,835,592
Service and professional fees	100,904	560,278	260,628	921,810	310,397	179,400	489,797	1,411,607
Travel and accommodations	168,614	409,415	57,906	635,935	127,976	54,298	182,274	818,209
Printing, postage, delivery, copying, and other expenses	4,845	5,268	660	10,773	46,607	15,122	61,729	72,502
Other office and business expenses	1,813	5,836	5,512	13,161	1,551,928	30,846	1,582,774	1,595,935
Total expenses before depreciation	2,277,274	2,524,947	2,135,747	6,937,968	2,938,710	1,193,540	4,132,250	11,070,218
Depreciation	-	-	-	-	28,250	-	28,250	28,250
	$ 2,277,274	$ 2,524,947	$ 2,135,747	$ 6,937,968	$ 2,966,960	$ 1,193,540	$ 4,160,500	$ 11,098,468

2022

	Program Services				Supporting Services			
	Higher Education	Teaching and Leadership	Civics Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Grants and fellowships to individuals and organizations	$ 1,999,573	$ 1,187,432	$ 67,563	$ 3,254,568	$ -	$ (350)	$ (350)	$ 3,254,218
Salary, fringe benefits, and payroll taxes	619,739	952,178	967,850	2,539,767	763,541	711,635	1,475,176	4,014,943
Service and professional fees	106,671	444,674	403,270	954,615	224,100	116,970	341,070	1,295,685
Travel and accommodations	51,666	300,871	19,154	371,691	52,993	31,125	84,118	455,809
Printing, postage, delivery, copying,								0
and other expenses	1,108	6,369	1,677	9,154	16,139	40,145	56,284	65,438
Other office and business expenses	26,971	46,236	33,242	106,449	162,573	52,172	214,745	321,194
Total expenses before depreciation	2,805,728	2,937,760	1,492,756	7,236,244	1,219,346	951,697	2,171,043	9,407,287
Depreciation	-	-	-	-	7,250	-	7,250	7,250
	$ 2,805,728	$ 2,937,760	$ 1,492,756	$ 7,236,244	$ 1,226,596	$ 951,697	$ 2,178,293	$ 9,414,537

The Notes to Financial Statements are an integral part of these statements.

Institute for Citizens and Scholars
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Operating activities		
Changes in net assets	$ (4,072,481)	$ (1,376,985)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation	28,250	7,250
Realized loss (gain) on sale of investments	956	(1,476,413)
Loss related to non-controlling interest	1,100,000	-
Bad debt	1,000,000	-
Unrealized (gain) loss on investments	(257,446)	2,178,238
Amortization of right-of-use asset	237,948	-
Donated securities	(64,634)	(59,231)
Changes in operating assets and liabilities		
Unconditional promises to give	1,679,676	478,058
Prepaid expenses and other current assets	13,321	(24)
Accounts payable and accrued expenses	(85,305)	167,314
Fellowships payable	(427,900)	(434,050)
Operating lease liabilities	(225,855)	-
Accrued vacation	100,333	(41,110)
Net cash used in operating activities	(973,137)	(556,953)
Investing activities		
Purchases of property and equipment	-	(105,000)
Capital contribution	(1,100,000)	-
Purchases of investments	(315,508)	(28,613,060)
Proceeds from sales of investments	2,636,187	30,516,863
Net cash provided by investing activities	1,220,679	1,798,803
Net change in cash and cash equivalents	247,542	1,241,850
Cash and cash equivalents		
Beginning of year	3,453,965	2,212,115
End of year	$ 3,701,507	$ 3,453,965
Supplemental disclosures of cash flow information		
Right-of-use assets obtained in exchange for operating lease liabilities	$ 2,011,500	$ -

The Notes to Financial Statements are an integral part of these statements.

1. NATURE OF ORGANIZATION

Institute for Citizens and Scholars (the "Organization") is a not-for-profit charitable organization located in Princeton, New Jersey. The primary mission of the Organization is to prepare leaders and engage networks of people and organizations to meet urgent education challenges. The overarching goal is to shape an informed, productively engaged, and hopeful citizenry. The Organization's mission reflects its twin commitments: to strengthen American education and to rebuild a flourishing civil society.

As a fellowship organization, the Organization focuses primarily on Higher Education Fellowships, Teaching and Leadership Fellowships, and a Civics Education project.

The Higher Education Fellowships include a suite of fellowships that support the development of future leaders at a variety of career stages in several critical fields. These programs strengthen the representation of diverse groups in the professorate, support the work of emerging scholars and young faculty in the social sciences and humanities, and prepare experts for the United States Foreign Service.

The Teaching and Leadership Fellowships represent a major effort to recruit, prepare and mentor school leaders as well as candidates for teaching in high-need subjects like mathematics and the sciences, transform their clinical preparation for teaching, and support their commitment to long-term careers in high-need urban and rural schools.

The Civics Education project, known as the Civics Spring Project, will catalyze a broad array of organizations to increase civic learning opportunities for young people. The Civic Spring Project will increase civic knowledge, skills and engagement by creating incentives, support and rewards for locally defined youth civic engagement initiatives aimed at meeting acute needs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations. These assets may, however, be subject to Board designation.

Net assets with donor restrictions: Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends and/or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions 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.

Measure of Operations

The accompanying statements of activities and changes in net assets distinguishes between operating and non-operating activities. Operating activities include all revenues and expenses that are an integral part of the Organization's programs and supporting activities. Non-operating activities include gains and losses related to non-controlling interests.

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains and losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of all cash held in banks and highly liquid debt instruments with original maturities of three months or less and exclude money market funds included in the investment portfolio.

Investments

Investments are reported at fair value, which is determined by using quoted market prices. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations or by law. Donated securities are recorded at fair value on the date of receipt. Purchases and sales are recorded on a trade date basis.

Unconditional Promises to Give

Unconditional promises to give are recorded in the year the promise is made. The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using the present value of their net realizable value, using risk-free prevailing interest rates applicable to the years in which the promises are received to discount the amounts. When estimating the fair value of unconditional promises to give, the relationship with the donor, the donor's past history of making timely payments, and the donor's overall creditworthiness are considered and incorporated into the present value calculation. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities.

The Organization determined the allowance for uncollectable promises to give based on historical collection history, type of contribution, and nature of fundraising activity. Promises to give are written off when deemed uncollectable. As of June 30, 2023, an allowance of $1,000,000 was recorded on uncollectable promises to give. There was no allowance recorded as of June 30, 2022.

Property and Equipment

The Organization records property and equipment additions at cost, or if donated, at fair value on the date of donation. When donors stipulate how long the assets must be used, the contributions are recorded as support with donor restrictions. Depreciation and amortization are computed using the straight-line method, with a half year deprecation recognized in years of acquisition and disposal, over the estimated useful lives of the assets ranging from 3 to 5 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Intangible assets of the Organization are included in property and equipment and consist of website and database development costs. These costs enhance the Organization's website and online operations. The Organization capitalizes costs associated with internally developed and/or purchased systems for new products that have reached the application stage and meet recoverability tests. Capitalized costs include external direct costs of materials and services utilized in developing or obtaining the applications and begins when the preliminary project stage is complete and ceases no later than the point at which the project is substantially complete and ready for its intended purpose. These costs are amortized over the anticipated useful life using the straight-line method, beginning in the month the software or website is placed in service over their estimated useful life of three to five years. Other costs, such as maintenance and training, are expensed as incurred.

Carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2023 and 2022.

Revenue and Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

Contributions are recognized when cash, securities, other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give (that is, those with a measurable performance or other barrier and a right of return or release) are not recognized until the conditions on which they depend have been substantially met. When collected prior to satisfaction of conditions, amounts are reported as deferred revenue. All contributions are considered to be net assets without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor-restricted support that increases that net asset class.

Contributed property and equipment and other non-cash assets are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue Accounted for as Contracts with Customers : Service fees

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

Revenue from all other sources is recognized when earned.

The Organization recognizes service fees in accordance with ASC 606 and it is recognized at a point in time. The Organization recognized $925,656 and $284,785 in service fees during the year ended June 30, 2023 and 2022, respectively.

Donated Services and In-Kind Contributions

The Organization records donated professional services at the respective fair values of the services received for donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the years ended June 30, 2023 and 2022, the Organization did not recognize any in-kind contributions. Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria under U.S. GAAP.

Tax-Exempt Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law and has been designated as a public charity. Income generated by activities that would be considered unrelated to the Organization's mission would be subject to tax, which, if incurred, would be recognized as an expense. No such tax has been recognized as of June 30, 2023 and 2022.

Uncertain Tax Positions

U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. For the years ended June 30, 2023 and 2022, management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements.

The Organization did not record any interest or penalties on uncertain tax positions in the accompanying statements of financial position as of June 30, 2023 and 2022, or in the accompanying statements of activities for the years then ended. If the Organization were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as other expenses.

Fellowships and Grants

The Organization recognizes grants made, including unconditional promises, as expenses in the period made. Conditional promises, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized in expense until the conditions on which they depend have been substantially met. Fellowships payable are expected to be paid within one year.

Functional Expense Allocation

The costs of providing various programs and supporting services of the Organization have been summarized on a functional basis in the statements of activities and detailed within the statements of functional expenses. The Organization's financial statements report certain categories of expenses that are attributable to one or more of the Organization's programs or supporting services. Therefore, certain expenses require allocation where the Organization can demonstrate direct conduct and direct supervision of programs or supporting services that receive a benefit. Such expenses include salaries, fringe benefits, payroll taxes, service and professional fees, travel and accommodations, printing, postage, delivery, copying, and other office expenses and business expenses. Salaries, fringe benefits, and payroll taxes are allocated based on time and effort estimated by employee, and all other expense allocations are based on estimates of use or benefit received to the program or supporting functions of the Organization.

Leases

The Organization categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow the Organization to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the statements of financial position. The Organization had no finance leases during 2023 and 2022.

Certain lease contracts may include obligations to pay for other services, such as operations, property taxes, and maintenance. For leases of property, the Organization accounts for these other services as a component of the lease. For all other leases, the services are accounted for separately and the Organization allocates payments to the lease and other services components based on estimated stand-alone prices.

Lease liabilities are recognized at the present value of the fixed lease payments, reduced by any incentives, using a discount rate based on the risk-free rate at time of lease execution or adoption. Right of use assets are recognized based on the initial present value of the fixed lease payments, reduced by any incentives and any direct costs from executing the leases. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

Accounting Pronouncement Adopted in the Current Year

On July 1, 2022, the Organization adopted Accounting Standards Codification Topic 842, *Leases*, (“ASC 842”), which supersedes Accounting Standards Codification Topic 840, *Leases*, (“ASC 840”), using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption, as the Organization utilized the practical expedient available under the guidance. Further, the Organization elected to implement the package of practical expedients, whereby the Organization did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs. The implementation of this standard did not have a material impact to the statements of activities or cash flows.

Upon adoption, the Organization recognized $2,011,500 in right-of-use (“ROU”) assets, and lease liability. There was no cumulative effect of applying the new standard and accordingly there was no adjustment to net assets upon adoption.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order to conform to current presentation. Total net assets and changes in net assets are unchanged due to these reclassifications.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

As of June 30, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and fulfillment of liabilities, were as follows:

	2023	2022
Cash and cash equivalents	$ 3,701,507	$ 3,453,965
Unconditional promises to give, current portion	2,118,547	4,110,362
Investments	6,304,138	8,303,693
Less: Net assets with donor restrictions	(10,041,695)	(12,778,559)
Financial assets available to meet general expenditures	$ 2,082,497	$ 3,089,461

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures come due. The Organization invests cash in excess of operating requirements in its investment portfolio. Although the Organization's investments, excluding endowment assets, are intended to be held to maturity or for long-term growth purposes, they are available to be liquidated to fund general operations and unanticipated liquidity needs should the need arise.

4. INVESTMENTS

Investments whose fair values are measured on a recurring basis as of June 30 are as follows:

	2023		
	Cost	Fair Value	Unrealized Losses
Money market funds	$ 1,240,998	$ 1,240,998	$ -
Mutual funds	5,527,685	5,063,140	464,545
Total	$ 6,768,683	$ 6,304,138	$ 464,545

	2022		
	Cost	Fair Value	Unrealized Losses
Money market funds	$ 3,718,345	$ 3,718,345	$ -
Mutual funds	5,307,338	4,585,348	721,990
Total	$ 9,025,683	$ 8,303,693	$ 721,990

Investment gain (loss) consists of the following for the years ended June 30:

	2023	2022
Interest and dividend income	$ 228,000	$ 114,562
Realized (loss) gain on sale of investments	(956)	1,476,413
Unrealized gain (loss) on investments	257,445	(2,178,238)
Less: Investment expenses	(43,054)	(32,520)
Total investment gain (loss), net	$ 441,435	$ (619,783)

5. FAIR VALUE MEASUREMENTS AND DISCLOSURES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another evaluation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset or liability.

The following table provides financial assets carried at fair value measured on a recurring basis as of June 30:

	2023			
	Total	**Level 1**	**Level 2**	**Level 3**
Money market funds	$ 1,240,998	$ 1,240,998	$ -	$ -
Mutual funds	5,063,140	5,063,140	-	-
	$ 6,304,138	$ 6,304,138	$ -	$ -

	2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Money market funds	$ 3,718,345	$ 3,718,345	$ -	$ -
Mutual funds	4,585,348	4,585,348	-	-
	$ 8,303,693	$ 8,303,693	$ -	$ -

6. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following as of June 30:

	2023	2022
Teaching and leadership fellowship	$ 1,976,083	$ 2,529,155
Higher education fellowships	1,367,218	1,424,835
Civics education	150,000	1,150,000
Annual fund	-	50,000
Other	142,332	179,034
Total unconditional promises to give	3,635,633	5,333,024
Less: Allowance for uncollectible accounts	(1,000,000)	-
Less: Discount to net present value	(36,283)	(53,998)
Net unconditional promises to give	$ 2,599,350	$ 5,279,026

Unconditional promises to give are anticipated to be collected as follows:

	2023	2022
Less than one year	$ 2,118,547	$ 4,110,362
One to five years	480,803	1,168,664
	$ 2,599,350	$ 5,279,026

At June 30, 2023 and 2022, two donors accounted for 62% and three donors accounted for 64%, respectively, of the total unconditional promises to give.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

Description	Estimated Life (Years)	2023	2022
Furniture and equipment	3-5	$ 96,820	$ 96,820
Software	3-5	105,000	105,000
		201,820	201,820
Less: Accumulated depreciation		(50,570)	(22,320)
Net property and equipment		$ 151,250	$ 179,500

Depreciation expense amounted to approximately $28,250 and $7,250 for the years ended June 30, 2023 and 2022, respectively.

8. NET ASSETS

Without Donor Restrictions

The Organization's Board of Trustees has chosen to place a designation on a portion of the net assets without donor restrictions. Net assets without donor restrictions as of June 30 is as follows:

	2023	2022
Board designated - Pennsylvania Teaching Fellowship	$ 358,153	$ 518,989
Undesignated	955,122	2,129,903
	$ 1,313,275	$ 2,648,892

The board-designated net assets presented above pertain to the Pennsylvania Teaching Fellowship. The total spending of board designated net assets was $160,836 and $46,113 for the years ended June 30, 2023 and 2022, respectively.

With Donor Restrictions

The financial assistance the Organization receives comes from all sources and is restricted based on the donor intent. At the time that the donation is made, donors designate the use of their contributions towards various projects. The earnings on the endowments are to be used for various program initiatives as stipulated by the donors.

At June 30, 2023 and 2022, net assets with donor restrictions consist of the following:

	2023	2022
Teaching and leadership fellowships	$ 4,487,141	$ 5,512,564
Higher education fellowships	2,989,528	3,452,968
Civics Education	320,195	1,928,526
Time restricted	300,000	-
Other awards and prizes	348,228	287,898
	8,445,092	11,181,956
Endowments given in perpetuity		
Humanities Initiatives Funds	603,609	603,609
Richard W. Couper Humanities Funds	400,000	400,000
Taplin Endowment	379,825	379,825
Gorheen Endowment	120,375	120,375
General Endowment	92,794	92,794
	1,596,603	1,596,603
Total net assets with donor restrictions	$ 10,041,695	$ 12,778,559

Net assets totaling $8,308,213 and $6,859,844 were released from donor restrictions for the years ended June 30, 2023 and 2022, respectively, and represent expenses incurred to satisfy donor restrictions or other events specified by the donors.

9. ENDOWMENT

The Organization's endowment consists of five individual funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") to require standard care that is reasonable and prudent over its endowed funds. The Board of Trustees also interpreted UPMIFA as requiring the investments held in an endowment fund consisting of the original gifts and all accrued investment income thereon, to be classified as net assets with donor restrictions until appropriated for expenditure by the Board of Trustees, unless stated otherwise in the gift instrument. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the Organization and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation or depreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Funds from earnings on net assets with donor restrictions appropriated for expenditure are expended according to donor restrictions and are classified as net assets released from restrictions on the accompanying statements of activities. If the endowment fund is less than the original gift as of the gift date, the Board is permitted to determine and continue a prudent payout amount. No amounts are appropriated for expenditure without additional Board review and direction.

The Board of Trustees has adopted the investment objective of preserving the endowment's principal by investing in high quality instruments. The return on endowment funds includes dividends, interest, capital gains/losses, and expenses. The holdings must adhere to asset allocation ranges in the Organization's Investment Policy Statement. The securities held must be appropriate for the objectives selected under the Organization's investment management process.

The following table provides information regarding the change in endowment net assets for the years ended June 30:

	2023	2022
Endowment net assets, beginning of year	$ 1,385,073	$ 1,596,603
Investment return	134,243	(211,530)
Amounts appropriated for expenditure	(31,184)	-
Endowment net assets, end of year	$ 1,488,132	$ 1,385,073

Donor restricted "true" endowment	2023	2022
Historical gift value	$ 1,596,603	$ 1,596,603
Net accumulated losses	(108,471)	(211,530)
Total	$ 1,488,132	$ 1,385,073

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 state law requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature exist for accumulated donor-restricted endowment funds. The underwater endowment funds as of June 30, 2023 and 2022 are reflected in the table above.

10. LEASES

The Organization has a non-cancelable operating lease agreement for its headquarters office space in Princeton, New Jersey, that currently expires on July 1, 2030. The lease required minimum monthly lease payments of $20,730 through June 30, 2021, with 1% annual escalations beginning in July 2021 for the duration of the lease. Because the rate implicit in the lease is generally not available, the Organization utilizes the risk free rate as the discount rate. At June 30, 2023, the Organization's weighted average discount rate was 1.58%. The weighted average remaining life of the operating lease was 7 years at June 30, 2023.

As of June 30, 2023, the operating right-of-use asset was $1,773,552, and the operating lease liability was $1,785,645. The operating lease cost, and other lease expense during the year ended June 30, 2023 was $267,763 and is included in other office and business expenses expense in the accompanying statements of functional expenses. Operating cash flows relating to the operating lease was $255,670 for the year ended June 30, 2023.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liability as of the years ending June 30, 2023:

	Amount
2024	$ 259,125
2025	262,580
2026	266,035
2027	269,490
2028	272,945
Thereafter	556,255
Total operating lease payments	1,886,430
Less: Imputed interest	(100,785)
Total operating lease liabilities	$ 1,785,645

Rent expense for the year ended June 30, 2022 was $251,184. The following were the future minimum lease payments, under the terms of the lease as of June 30, 2022:

2023	$ 255,670
2024	259,125
2025	262,580
2026	266,035
2027	269,490
Thereafter	829,200
Total operating lease liabilities	$ 2,142,100

11. COMMITMENTS AND CONTINGENCIES

The Organization has significant cash balances at financial institutions which throughout the year may regularly exceed the federally insured limit of $250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Organization's financial condition, results of operations, and cash flows.

The Organization has placed its investments in a professionally managed portfolio that contains equity and fixed income mutual funds and money market funds. Such investments are exposed to various risks such as interest rate, 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. The balances may exceed the maximum amount covered by the Securities Investor Protection Corporation (“SIPC”).

12. RETIREMENT PLAN

The Organization has a contributory defined contribution retirement plan under Internal Revenue Code Section 403(b). Employees that meet certain eligibility criteria are eligible to participate. Employees are fully vested in the plan when they become eligible to participate. The Organization is required to match employee contributions up to 10% of the employee's salary, provided the employee contributes a minimum of 5% of their salary to the plan. The Organization's contribution to the plan for the years ended June 30, 2023 and 2022, was $349,972 and $297,415, respectively. The plan is administered by TIAA.

13. RELATED PARTIES

Total contributions from various board members were $488,870 and $499,705 for the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, there were no outstanding amounts due from board members.

14. NON-CONTROLLING INTEREST IN THE CIVIC NETWORK

On July 29, 2022, the Organization entered into an agreement to become a member of The Civic Network, LLC (the “Company”), a Delaware Limited Liability Company. The Company was organized to acquire, develop, commercialize and license online civic-based educational software and related intellectual property rights, with the primary objective of the Company being to make a significant contribution to building the civic skills and dispositions of young Americans and activating their sense of human responsibility. The Organization owns two million (2,000,000) class A shares, which it received in exchange for $1,100,000, out of a total of five million (5,000,000) class A shares issued on July 29, 2022.

During the year ended June 30, 2023, the Company recorded a loss commensurate to their 40% ownership in the Company of $592,704. In addition, the Organization determined that the remaining value of $507,296 should be impaired as a loss in investment value that is other than temporary. Both the loss and impairment are presented as a loss related to non-controlling interest in the statements of activities for the year ended June 30, 2023.

The remaining amount of non-controlling interest in the Company was impaired as there is sufficient evidence of a loss in value that includes an absence of an ability to recover the carrying amount of the investment and the inability to sustain an earnings capacity that would justify the carrying amount of the investment. The Company intends to dissolve during the year ended June 30, 2024 as a result of its inability to monetize the Company’s product.

15. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the statement of financial position date through November 15, 2023, which is the date the financial statements were available to be issued. Management has determined that there are no unrecognized subsequent events that require additional disclosure.