INSTITUTE FOR CITIZENS AND SCHOLARS
Financial Statements
June 30, 2024 and 2023
With Independent Auditor's Report

withum
ADVISORY TAX AUDIT

Institute for Citizens and Scholars
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June 30, 2024 and 2023

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the Institute for Citizens and Scholars (the "Organization"), which comprise the statements of financial position as of June 30, 2024 and 2023, 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 the Institute for Citizens and Scholars as of June 30, 2024 and 2023, 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.

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.

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.

WithumSmith+Brown, PC

November 7, 2024

Institute for Citizens and Scholars
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Current assets		
Cash and cash equivalents	$ 1,650,740	$ 3,701,507
Current portion of unconditional promises to give, net of allowanace	1,840,117	2,118,547
Grant receivable	365,826	-
Prepaid expenses and other current assets	44,613	20,038
Total current assets	3,901,296	5,840,092
Investments	5,623,274	6,304,138
Unconditional promises to give, net of current portion and allowance	-	480,803
Operating right-of-use asset, net	1,531,980	1,773,552
Property and equipment, net	123,000	151,250
Security deposits	68,163	68,163
Total assets	$ 11,247,713	$ 14,617,998
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 497,678	$ 424,742
Current portion of operating lease liability	240,127	232,935
Fellowships payable	927,789	867,800
Deferred revenue	36,000	-
Accrued vacation	165,375	184,841
Total current liabilities	1,866,969	1,710,318
Noncurrent liabilities		
Operating lease liability, net of current portion	1,312,583	1,552,710
Total liabilities	3,179,552	3,263,028
Net assets		
Without donor restrictions	1,597,760	1,313,275
With donor restrictions	6,470,401	10,041,695
Total net assets	8,068,161	11,354,970
Total liabilities and net assets	$ 11,247,713	$ 14,617,998

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

Institute for Citizens and Scholars
Statements of Activities
Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and other revenue						
Public support						
Government	$ 365,826	$ -	$ 365,826	$ 396,277	$ -	$ 396,277
Foundations	110,000	3,476,009	3,586,009	116,993	5,365,544	5,482,537
Individuals	1,505,039	447,083	1,952,122	839,973	40,109	880,082
Net assets released from restrictions	7,747,534	(7,747,534)	-	8,308,213	(8,308,213)	-
Total public support	9,728,399	(3,824,442)	5,903,957	9,661,456	(2,902,560)	6,758,896
Other revenue						
Investment gain, net	383,350	253,148	636,498	275,739	165,696	441,435
Service fees	673,570	-	673,570	925,656	-	925,656
Total support and other revenue	10,785,319	(3,571,294)	7,214,025	10,862,851	(2,736,864)	8,125,987
Expenses						
Program services						
Higher education	2,709,055	-	2,709,055	2,277,274	-	2,277,274
Teaching and leadership	3,424,599	-	3,424,599	2,524,947	-	2,524,947
Civics education	2,198,016	-	2,198,016	2,135,747	-	2,135,747
Total program services	8,331,670	-	8,331,670	6,937,968	-	6,937,968
Supporting services						
Management and general	876,629	-	876,629	2,966,960	-	2,966,960
Fundraising	1,292,535	-	1,292,535	1,193,540	-	1,193,540
Total supporting services	2,169,164	-	2,169,164	4,160,500	-	4,160,500
Total expenses	10,500,834	-	10,500,834	11,098,468	-	11,098,468
Changes in net assets from operations	284,485	(3,571,294)	(3,286,809)	(235,617)	(2,736,864)	(2,972,481)
Loss from investment in joint venture	-	-	-	(1,100,000)	-	(1,100,000)
Changes in net assets	284,485	(3,571,294)	(3,286,809)	(1,335,617)	(2,736,864)	(4,072,481)
Net assets						
Beginning of year	1,313,275	10,041,695	11,354,970	2,648,892	12,778,559	15,427,451
End of year	$ 1,597,760	$ 6,470,401	$ 8,068,161	$ 1,313,275	$ 10,041,695	$ 11,354,970

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, 2024 and 2023

2024

	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	$ 1,761,038	$ 738,642	$ 91,132	$ 2,590,812	$ -	$ (250)	$ (250)	$ 2,590,562
Salary, fringe benefits, and payroll taxes	598,735	1,322,921	1,539,163	3,460,819	347,877	991,882	1,339,759	4,800,578
Service and professional fees	156,313	663,519	454,276	1,274,108	223,377	168,135	391,512	1,665,620
Travel and accommodations	151,520	364,222	34,442	550,184	41,910	24,529	66,439	616,623
Printing, postage, delivery, copying, and other expenses	370	6,003	1,351	7,724	34,878	28,414	63,292	71,016
Other office and business expenses	41,079	329,292	77,652	448,023	200,337	79,825	280,162	728,185
Total expenses before depreciation	2,709,055	3,424,599	2,198,016	8,331,670	848,379	1,292,535	2,140,914	10,472,584
Depreciation and amortization	-	-	-	-	28,250	-	28,250	28,250
	$ 2,709,055	$ 3,424,599	$ 2,198,016	$ 8,331,670	$ 876,629	$ 1,292,535	$ 2,169,164	$ 10,500,834

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 and amortization	-	-	-	-	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

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, 2024 and 2023

	2024	2023
Operating activities		
Changes in net assets	$ (3,286,809)	$ (4,072,481)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	28,250	28,250
Realized loss on sale of investments	12,951	956
Loss from investment in joint venture	-	1,100,000
Allowance for uncollectible promises to give	(726,000)	1,000,000
Unrealized (gain) on investments	(411,571)	(257,446)
Amortization of right-of-use asset	241,572	237,948
Donated securities	(186,461)	(64,634)
Changes in operating assets and liabilities		
Unconditional promises to give	1,485,233	1,679,676
Grant receivable	(365,826)	-
Prepaid expenses and other current assets	(24,575)	13,321
Accounts payable and accrued expenses	72,936	(85,305)
Fellowships payable	59,989	(427,900)
Operating lease liabilities	(232,935)	(225,855)
Deferred revenue	36,000	-
Accrued vacation	(19,466)	100,333
Net cash used in operating activities	(3,316,712)	(973,137)
Investing activities		
Capital contribution	-	(1,100,000)
Purchases of investments	(2,464,610)	(315,508)
Proceeds from sales of investments	3,730,555	2,636,187
Net cash provided by investing activities	1,265,945	1,220,679
Net change in cash and cash equivalents	(2,050,767)	247,542
Cash and cash equivalents		
Beginning of year	3,701,507	3,453,965
End of year	$ 1,650,740	$ 3,701,507
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 or used at the discretion of the Organization's management.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. 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 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 joint ventures.

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, expenses, gains and losses and other changes in net assets during the reporting period. Accordingly, 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.

Equity Method Investment

On July 29, 2022, the Organization entered into a joint venture with an unrelated third party, High Resolves, becoming a member of The Civic Network, LLC, a Delaware Limited Liability Company (the “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 acquired two million (2,000,000) class A shares out of a total of five million (5,000,000) class A shares issued on July 29, 2022, in exchange for $1,100,000.

The Organization is accounting for its investment in the joint venture under the equity method of accounting whereby the Organization’s shares of the net income or loss of the joint venture is recognized as income or loss in the Organization’s statements of activities and increases or decreases the investment balance recorded in the statements of financial position.

During the year ended June 30, 2023, the Organization recorded a loss commensurate to their 40% ownership in the Company of $592,704. Management determined the remaining investment in the joint venture was impaired as there was 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. Therefore, the Organization wrote off the remaining value of $507,296 as a loss in investment value that is other than temporary. The total loss and impairment of $1,100,000 was presented as a loss from investment in joint venture in the statements of activities for the year ended June 30, 2023.

The investment in the joint venture was $-0- as of June 30, 2024 and 2023. See Note 14 for the summarized financial information related to this investment.

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 uncollectible promises to give based on historical collection history, type of contribution, and nature of fundraising activity. Promises to give are written off when deemed uncollectible. As of June 30, 2024 and 2023, an allowance of $274,000 and $1,000,000 was recorded on uncollectible promises to give, respectively.

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. Expenditures that substantially increase the estimated useful lives are capitalized. Maintenance, repairs, and minor renewals 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 property and equipment impairment during the years ended June 30, 2024 and 2023.

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 2024 and 2023.

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.

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 $673,570 and $925,656 in service fees during the years ended June 30, 2024 and 2023, respectively. There were no outstanding receivables at July 1, 2022 for service fees.

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, 2024 and 2023, 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, 2024 and 2023.

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, 2024 and 2023, 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, 2024 and 2023, 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.

Recently Adopted Accounting Principles

In June 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") amending the accounting for credit losses on financial statements. This methodology replaced the incurred loss methodology with the expected credit losses using a wide range of reasonable and supportable information. The amendment affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposure and other financial instruments recorded at amortized cost.

The Organization adopted the new standard effective July 1, 2023, using the prospective approach. Comparative prior periods were not adjusted upon adoption. Upon adoption, the Organization recognized no cumulative-effect adjustment to the opening balance of net assets without donor restrictions. This accounting pronouncement had no significant impact on the financial statements for the year ended June 30, 2024.

Subsequent Events

The Organization has evaluated events that occurred after June 30, 2024 through November 7, 2024, the date on which the financial statements were available to be issued. Management has determined that there are no unrecognized subsequent events that require additional disclosure.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

As of June 30, 2024 and 2023, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and fulfillment of liabilities, were as follows:

	2024	2023
Cash and cash equivalents	$ 1,650,740	$ 3,701,507
Current portion of unconditional promises to give	1,840,117	2,118,547
Grant receivable	365,826	-
Investments	5,623,274	6,304,138
Less: Net assets with donor restrictions	(6,470,401)	(10,041,695)
Financial assets available to meet general expenditures	$ 3,009,556	$ 2,082,497

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:

	2024		
	Cost	Fair Value	Unrealized Losses
Money market funds	$ 706,203	$ 706,203	$ -
Mutual funds	4,970,044	4,917,070	52,974
Total	$ 5,676,247	$ 5,623,273	$ 52,974

	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

Investment gain, net consists of the following for the years ended June 30:

	2024	**2023**
Interest and dividend income	$ 283,681	$ 228,000
Realized loss on sale of investments	(12,951)	(956)
Unrealized gain on investments	411,571	257,445
Less: Investment expenses	(45,803)	(43,054)
Total investment gain, net	$ 636,498	$ 441,435

5. FAIR VALUE MEASUREMENTS AND DISCLOSURES

FASB Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures, establishes a 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described 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:

	2024			
	Total	**Level 1**	**Level 2**	**Level 3**
Money market funds	$ 706,203	$ 706,203	$ -	$ -
Mutual funds	4,917,070	4,917,070	-	-
	$ 5,623,273	$ 5,623,273	$ -	$ -

	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	$ -	$ -

6. UNCONDITIONAL PROMISES TO GIVE

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

	2024	**2023**
Teaching and leadership fellowship	$ 960,288	$ 1,976,083
Higher education fellowships	506,829	1,367,218
Civics education	500,000	150,000
Annual fund	10,000	-
Other	137,000	142,332
Total unconditional promises to give	2,114,117	3,635,633
Less: Allowance for uncollectible promises to give	(274,000)	(1,000,000)
Less: Discount to net present value	-	(36,283)
Net unconditional promises to give	$ 1,840,117	$ 2,599,350

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

	2024	**2023**
Less than one year	$ 1,840,117	$ 2,118,547
One to five years	-	480,803
	$ 1,840,117	$ 2,599,350

At June 30, 2024 and 2023, four donors accounted for 84% and two donors accounted for 62%, 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)	2024	2023
Furniture and equipment	3-5	$ 96,820	$ 96,820
Software	3-5	105,000	105,000
		201,820	201,820
Less: Accumulated depreciation		(78,820)	(50,570)
Property and equipment, net		$ 123,000	$ 151,250

Depreciation and amortization expense was $28,250 for the years ended June 30, 2024 and 2023.

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:

	2024	2023
Board designated - Pennsylvania Teaching Fellowship	$ 327,844	$ 358,153
Undesignated	1,269,916	955,122
	$ 1,597,760	$ 1,313,275

The board-designated net assets presented above pertain to the Pennsylvania Teaching Fellowship. The total spending of board designated net assets was $30,309 and $160,836 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023, net assets with donor restrictions consist of the following:

	2024	2023
Higher education fellowships	$ 2,002,367	$ 4,487,141
Teaching and leadership fellowships	1,733,841	2,989,528
Civics Education	610,773	320,195
Time restricted	100,000	300,000
Other awards and prizes	426,817	348,228
	4,873,798	8,445,092
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	$ 6,470,401	$ 10,041,695

Net assets totaling $7,747,534 and $8,308,213 were released from donor restrictions for the years ended June 30, 2024 and 2023, 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:

	2024	2023
Endowment net assets, beginning of year	$ 1,488,132	$ 1,385,073
Investment return	206,166	134,243
Amounts appropriated for expenditure	-	(31,184)
Endowment net assets, end of year	$ 1,694,298	$ 1,488,132
Donor restricted "true" endowment		
Historical gift value	$ 1,596,603	$ 1,596,603
Net accumulated appreciation (depreciation)	97,695	(108,471)
Total	$ 1,694,298	$ 1,488,132

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 is reflected in the table above.

10. LEASES

Effective February 7, 2020, the Organization entered into 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.

Operating lease expense is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the years ended June 30:

	2024	2023
Operating lease expense	$ 267,763	$ 267,763
Variable lease expense	5,998	-
Total lease expense	$ 273,761	$ 267,763

Information regarding lease terms and discount rates as of June 30, 2024 and 2023, is as follows:

	2024	2023
Weighted-average remaining lease term in years for operating lease	6 years	7 years
Weighted-average discount rate (%) for operating lease	1.58%	1.58%

Supplemental cash flow information related to leases for the years ended June 30, 2024 and 2023, is as follows:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 259,125	$ 255,670
ROU assets obtained in exchange for new operating lease liabilities	-	2,011,500

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liability as of the year ending June 30, 2024:

2025	$ 262,580
2026	266,035
2027	269,490
2028	272,945
2029	276,400
Thereafter	279,855
Total operating lease payments	1,627,305
Less: Imputed interest	(74,595)
Total operating lease liabilities	$ 1,552,710

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, 2024 and 2023, was $375,023 and $349,972, respectively. The plan is administered by TIAA.

13. RELATED PARTIES

Total contributions from various board members were $558,910 and $488,870 for the years ended June 30, 2024 and 2023, respectively. As of June 30, 2024 and 2023, there were no outstanding amounts due from board members.

14. SUMMARIZED INFORMATION OF ASSETS, LIABILITIES, AND RESULTS OF OPERATIONS OF JOINT VENTURE

The financial information as of and for the years ended June 30, 2024 and 2023 of The Civic Network, LLC is summarized below:

Condensed Balance Sheet Information

	2024	2023
Total assets	$ -	$ 119,641
Total liabilities	$ -	$ 501,401
Members' equity	-	(381,760)
Total liabilities and members' equity	$ -	$ 119,641

Condensed Income Statement Information

	2024	2023
Net revenue	$ -	$ -
Cost of sales	-	(600,000)
Gross profit	-	(600,000)
Operating expenses	(7,680)	(881,760)
Other income (expenses), net	389,440	-
Net income (loss)	$ 381,760	$ (1,481,760)

15. EMPLOYEE RETENTION CREDIT

The CARES Act established the Employee Retention Credit ("ERC"), which provides employers a refundable federal tax credit equal to 50% of qualified wages and benefits paid to employees (up to $10,000 per employee) between March 21, 2020 and December 31, 2020. An amendment to the CARES Act extended the application of the ERC to qualified wages and benefits paid between January 1, 2021 and July 1, 2021. Contributions to qualified medical plans also constitute creditable amounts. The credit is available to offset all federal employment withholdings owed in a particular quarter including both the employer and employee share of social security, Medicare taxes and withholdings for federal income taxes. To the extent that the credit exceeds employment withholdings, the employer may request a refund of prior taxes paid.

During the year ended June 30, 2023, the Organization applied for and received a refund of 2020 and 2021 amounts under the ERC in the amount of $396,277, which was included on the statement of activities for the year ended June 30, 2023.

During the year ended June 30, 2024, the Organization applied for an additional refund of 2020 and 2021 amounts under the ERC in the amount of $365,826, which is included in grant receivable on the statement of financial position as of June 30, 2024.