# The Heartland Institute

## Audited Financial Statements

## For the Years Ended December 31, 2021 and 2020

(With Independent Auditor's Report Thereon)

**The Heartland Institute**

**Table of Contents**

Independent Auditor's Report

To the Board of Directors of
The Heartland Institute
Arlington Heights, Illinois 60004

**Opinion**

We have audited the accompanying financial statements of The Heartland Institute (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with the 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. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibility 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 judgement, 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.

Tighe Kress & Orr, PC

Elgin, Illinois
June 29, 2022

**The Heartland Institute**
**Statements of Financial Position**
**December 31, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| **Assets** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 912,863 | $ 879,024 |
| Prepaid expenses | 6,852 | 984 |
| Total Current Assets | 919,715 | 880,008 |
| Property and Equipment, net | 858,692 | 889,768 |
| Total Assets | $ 1,778,407 | $ 1,769,776 |
| **Liabilities and Net Assets** | | |
| Current Liabilities: | | |
| Accounts payable | $ 133,505 | $ 50,152 |
| Credit card payable | 35,132 | 14,043 |
| Accrued expenses | 5,520 | - |
| Payroll liabilities | 46,729 | 95,153 |
| Total Current Liabilities | 220,886 | 159,348 |
| Net Assets: | | |
| Without donor restrictions | 1,526,946 | 1,579,853 |
| With donor restrictions | 30,575 | 30,575 |
| Total Net Assets | 1,557,521 | 1,610,428 |
| Total Liabilities and Net Assets | $ 1,778,407 | $ 1,769,776 |

The accompanying notes are an integral part of the financial statements.

**The Heartland Institute**
**Statements of Activities and Changes in Net Assets**
**For the Years Ended December 31, 2021 and 2020**

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Public Support and Revenue: | | | | | | |
| Contributions | $ 4,054,969 | $ - | $ 4,054,969 | $ 3,748,445 | $ - | $ 3,748,445 |
| Publications/research | 1,458 | - | 1,458 | 7,628 | - | 7,628 |
| Fundraising events | 50,082 | - | 50,082 | - | - | - |
| Other events | - | - | - | 300 | - | 300 |
| Interest income | - | - | - | 23,528 | - | 23,528 |
| Total Public Support and Revenue | 4,106,509 | - | 4,106,509 | 3,779,901 | - | 3,779,901 |
| Net Assets Released from Restrictions - Satisfaction of Program Restrictions | - | - | - | - | - | - |
| Expenses: | | | | | | |
| Program services | 2,608,949 | - | 2,608,949 | 2,253,461 | - | 2,253,461 |
| Support services | 883,067 | - | 883,067 | 837,107 | - | 837,107 |
| Fundraising services | 667,400 | - | 667,400 | 502,519 | - | 502,519 |
| Total Expenses | 4,159,416 | - | 4,159,416 | 3,593,087 | - | 3,593,087 |
| Change in Net Assets | (52,907) | - | (52,907) | 186,814 | - | 186,814 |
| Net Assets, Beginning of Year | 1,579,853 | 30,575 | 1,610,428 | 1,393,039 | 30,575 | 1,423,614 |
| Net Assets, End of Year | $ 1,526,946 | $ 30,575 | $ 1,557,521 | $ 1,579,853 | $ 30,575 | $ 1,610,428 |

The accompanying notes are an integral part of the financial statements.

**The Heartland Institute**
**Statements of Functional Expenses**
**For the Years Ended December 31, 2021 and 2020**
**Part 1**

| | Programs | | | | | Total | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Expenses: | Environmental and Climate | Publications/ Editorial | Government Relations | Public Relations | Stopping Socialism | Total Program Services | Support Services | Fundraising Services | Total Expenses December 31, 2021 | Total Expenses December 31, 2020 |
| Salaries and wages | $ 146,716 | $ 362,548 | $ 281,819 | $ 268,596 | $ 77,154 | $ 1,136,833 | $ 250,459 | $ 340,623 | $ 1,727,915 | $ 1,725,277 |
| Benefits | 5,341 | 26,305 | 62,679 | 35,848 | 7,371 | 137,544 | 46,276 | 26,623 | 210,443 | 190,286 |
| Payroll taxes | 5,958 | 28,799 | 20,710 | 19,157 | 5,909 | 80,533 | 15,197 | 23,792 | 119,522 | 131,571 |
| Contractors | 42,745 | 202,520 | 27,765 | 54,103 | - | 327,133 | 222,448 | 32,817 | 582,398 | 563,381 |
| Accounting/payroll fees/legal fees | 3,351 | 7,957 | 6,798 | 7,032 | 2,185 | 27,323 | 6,811 | 6,280 | 40,414 | 43,697 |
| Supplies/furniture/equipment | 14,934 | - | 3,218 | 52,571 | 28,000 | 98,723 | 35,064 | 5,490 | 139,277 | 72,771 |
| Telephone/data | 400 | - | - | - | - | 400 | 27,116 | - | 27,516 | 30,102 |
| Postage and shipping | 172 | 63,225 | - | 721 | - | 64,118 | 9,360 | 164,591 | 238,069 | 108,316 |
| Occupancy | - | - | - | - | - | - | 195,659 | 280 | 195,939 | 189,628 |
| Printing and publications | - | 120,234 | - | - | - | 120,234 | - | 4,308 | 124,542 | 111,314 |
| Travel | 28,743 | 3,636 | 36,413 | 7,378 | - | 76,170 | 6,378 | 53,342 | 135,890 | 100,230 |
| Conferences/meetings | 373,622 | - | 19,876 | - | 851 | 394,349 | - | 6,472 | 400,821 | 140,737 |
| Interest | - | - | - | - | - | - | 2,668 | - | 2,668 | 2,668 |
| Depreciation | - | - | - | - | - | - | 31,075 | - | 31,075 | 33,411 |
| Other Expenses: | | | | | | | | | | |
| Association dues | - | - | - | - | - | - | 948 | - | 948 | 948 |
| Advertising and public relations | 304 | 16,131 | 94 | 67,252 | 30,808 | 114,589 | 2,391 | 2,782 | 119,762 | 63,126 |
| Education and other expenses | - | - | - | - | - | - | - | - | - | 9,607 |
| Library and subscriptions | - | - | - | - | - | - | - | - | - | 178 |
| Memberships | - | - | 18,500 | - | - | 18,500 | 1,058 | - | 19,558 | 18,489 |
| Government and bank fees | - | - | - | - | - | - | 30,159 | - | 30,159 | 29,850 |
| Moving/staff relocation | - | - | - | - | - | - | - | - | - | - |
| Contributions and grants | 5,500 | - | - | 7,000 | - | 12,500 | - | - | 12,500 | 27,500 |
| Total Expenses: | $ 627,786 | $ 831,355 | $ 477,872 | $ 519,658 | $ 152,278 | $ 2,608,949 | $ 883,067 | $ 667,400 | $ 4,159,416 | $ 3,593,087 |
| Percentage of total | 15% | 20% | 11% | 12% | 4% | 63% | 21% | 16% | 100% | |

The accompanying notes are an integral part of the financial statements.

**The Heartland Institute**
**Statements of Functional Expenses**
**For the Years Ended December 31, 2021 and 2020**
**Part 2**

| | Programs | | | | Total | | | |
|---|---|---|---|---|---|---|---|---|
| Expenses: | Environmental and Climate | Publications/ Editorial | Government Relations | Public Relations | Program Services | Support Services | Fundraising Services | Total Expenses December 31, 2020 |
| Salaries and wages | $ - | $ 279,754 | $ 364,827 | $ 483,320 | $ 1,127,901 | $ 297,548 | $ 299,828 | $ 1,725,277 |
| Benefits | - | 33,881 | 10,364 | 66,229 | 110,474 | 40,723 | 39,089 | 190,286 |
| Payroll taxes | - | 26,186 | 26,714 | 34,640 | 87,540 | 23,338 | 20,693 | 131,571 |
| Contractors | 87,596 | 227,330 | 42,679 | 100,276 | 457,881 | 99,870 | 5,630 | 563,381 |
| Accounting/payroll fees/legal fees | - | 8,535 | 8,861 | 12,484 | 29,880 | 7,689 | 6,128 | 43,697 |
| Supplies/furniture/equipment | - | - | - | 41,550 | 41,550 | 25,655 | 5,566 | 72,771 |
| Telephone/data | - | - | - | 1,207 | 1,207 | 28,895 | - | 30,102 |
| Postage and shipping | - | 41,039 | 780 | 2,782 | 44,601 | 21,267 | 42,448 | 108,316 |
| Occupancy | - | - | - | - | - | 189,029 | 599 | 189,628 |
| Printing and publications | - | 94,346 | - | - | 94,346 | 16,968 | - | 111,314 |
| Travel | 567 | - | 19,451 | 11,941 | 31,959 | 4,279 | 63,992 | 100,230 |
| Conferences/meetings | 15,000 | - | 35,017 | 70,136 | 120,153 | 5,275 | 15,309 | 140,737 |
| Interest | - | - | - | - | - | 2,668 | - | 2,668 |
| Depreciation | - | - | - | - | - | 33,411 | - | 33,411 |
| Other Expenses: | | | | | - | | | |
| Association Dues | - | - | - | - | - | 948 | - | 948 |
| Advertising and public relations | - | 1,717 | 3,800 | 48,245 | 53,762 | 7,466 | 1,898 | 63,126 |
| Education and other expenses | 277 | 1,926 | 1,382 | 2,455 | 6,040 | 2,228 | 1,339 | 9,607 |
| Library and subscriptions | - | - | - | 178 | 178 | - | - | 178 |
| Memberships | - | - | 1,800 | 16,689 | 18,489 | - | - | 18,489 |
| Government and bank fees | - | - | - | - | - | 29,850 | - | 29,850 |
| Contributions and grants | - | - | - | 27,500 | 27,500 | - | - | 27,500 |
| Total Expenses: | $ 103,440 | $ 714,714 | $ 515,675 | $ 919,632 | $ 2,253,461 | $ 837,107 | $ 502,519 | $ 3,593,087 |
| Percentage of total | 3% | 20% | 14% | 26% | 63% | 23% | 14% | 100% |

The accompanying notes are an integral part of the financial statements.

**The Heartland Institute**
**Statements of Cash Flows**
**For the Years Ended December 31, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| Cash Flow from Operating Activities | | |
| Change in net assets | $ (52,907) | $ 186,814 |
| Adjustments to reconcile change in net assets to cash provided by (used in) operating activites: | | |
| Depreciation | 31,075 | 33,411 |
| Cash provided by (used in) assets and liabilities: | | |
| Prepaid expenses | (5,868) | 27,192 |
| Accounts payable | 83,353 | (40,882) |
| Credit card payable | 21,089 | 14,043 |
| Accrued expenses | 5,521 | - |
| Payroll liabilities | (48,424) | 10,112 |
| Net Cash Provided by Operating Activities | 33,839 | 230,690 |
| Cash Flow from Investing Activities | | |
| Net Cash Provided by Investing Activities | - | - |
| Cash Flow from Financing Activities | | |
| Net Cash Provided by Financing Activities | - | - |
| Net Increase in Cash | 33,839 | 230,690 |
| Cash and Cash Equivalents balance, Beginning of Year | 879,024 | 648,334 |
| Cash and Cash Equivalents balance, End of Year | $ 912,863 | $ 879,024 |
| Supplemental Disclosure: | | |
| Cash paid for interest | $ 2,668 | $ 2,668 |

The accompanying notes are an integral part of the financial statements.

## The Heartland Institute
## Notes to Financial Statements
## For the Years Ended December 31, 2021 and 2020

**Note 1 – Summary of Significant Accounting Policies**

Nature of Activities: The Heartland Institute (the "Organization") is an Illinois not-for-profit corporation organized exclusively for charitable and educational purposes. Its main purpose is to inform and educate the public on research of past and existing public policies and the effects and results of those policies and free market or private sector alternatives. The Organization's programs are supported primarily by contributions from individuals, businesses, and foundations.

Method of Accounting: The financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with United States Generally Accepted Accounting Principles applicable to non-profit organizations. Revenues are recognized as they are earned and expenses as they are incurred.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Update ("ASU") 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Under FASB ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions include undesignated and board-designated sources with no legal donor-imposed restrictions.

Net assets with donor restrictions represent net assets subject to donor-imposed or legal restrictions, which will either be met by the Organization's actions, the passage of time or are perpetual in nature. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the restrictions are met or have expired. These reclassifications are reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Revenue Recognition: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which entities expect to be entitled in exchange for those goods or services. The update also requires additional disclosure to enable readers of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted this update, along with all subsequent amendments (collectively, "ASC 606") in 2019 under the modified retrospective method. Additionally, the Organization applied the practical expedient (i) to account for revenues with similar characteristics as a collective group rather than individually, (ii) to not adjust the transaction price for the effects of significant financing components (if any), and (iii) to not disclose the transaction price allocated to unsatisfied or partially unsatisfied performance obligations as of the end of the reporting period when the performance obligations relate to contracts with an expected duration of less than one year. The effect of the Organization's adoption of ASC 606 is outlined below.

## Note 1 – Summary of Significant Accounting Policies (continued)

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction (i.e., ASC 606). The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Organization adopted this update on a prospective basis and the effects of the adoption are outlined below.

The effect of ASC 606 and ASU 2018-08 on the Organization's financial statements were examined in conjunction with one another. Certain of the Organization's revenue-producing arrangements do not meet the definition of a contract under ASC 606, as the arrangement does not have commercial substance and does not meet the definition of an exchange transaction under the clarified guidance in ASU 2018-08. Revenue streams were determined to fall under the scope of ASU 2018-08 for the years ended December 31, 2021 and 2020. Prior to the clarifications provided in ASU 2018-08, transactions with customers that benefited the general public were considered to be exchange transactions. Under the clarified guidance, such transactions constitute contributions. The Organization reassessed the nature of its revenue-producing arrangements to ensure alignment with the definition of a contract under ASC 606 and an exchange transaction under ASU 2018-08.

In the following table, revenue from contracts with customers is disaggregated by major service lines and timing of revenue recognition:

| | 2021 | 2020 |
|---|---|---|
| **Major service lines** | | |
| Publications/research | $ 1,458 | $ 7,628 |
| Other | - | 300 |
| | $ 1,458 | $ 7,928 |
| **Timing of revenue recognition** | | |
| Services or products transferred at a point in time | $ 1,458 | $ 7,928 |
| Services or products transferred over time | - | - |
| | $ 1,458 | $ 7,928 |

The majority of the Organization's revenue, which are generated from contributions, and interest income, are not from contracts with customers. Total revenue from these sources were $4,105,051 and $3,771,973 for the years ended December 31, 2021 and 2020, respectively.

## Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles 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 reports amounts of revenues, gains and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Organization defines cash, for the purposes of reporting cash flows, as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes.

Contributions: The Organization accounts for contributions in accordance with the recommendations in FASB ASC 958-225. In accordance with FASB ASC 958-225, contributions, grants, and contracts received are recorded as support and revenue with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by donors. Unrestricted contributions are recognized when received.

Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support and revenues are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, such as when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets released from restrictions.

Donated Property and Services: Donations received in property and services other than cash are recorded at their fair market value on the date of the gift. Donations in property and services whose fair market values are not objectively determinable are omitted from the financial statement in accordance with generally accepted accounting principles.

Property and Equipment: Property and equipment are stated at cost, less accumulated depreciation. The Organization follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of $2,500. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets.

| | |
|---|---|
| Buildings | 39 Years |
| Land improvements | 20 Years |
| Furniture and equipment | 7 Years |
| Software | 3 Years |
| Automobiles | 5 Years |
| Building improvements | 15 Years |

## Note 1 – Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk: The Organization maintains its cash balances in several bank accounts. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Organization has not experienced any loss in such accounts. As of December 31, 2021, the uninsured balance is $571,103. Management believes the Organization is not exposed to any significant credit risk on its cash balances.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Accounts and Pledges Receivable: Accounts receivable are stated at the amount management expects to collect from outstanding balances and pledges. Management provides for probable uncollectible amounts through a provision for bad debt expense based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collections efforts are written off to bad debt expense. There were no bad debt write-offs or accounts deemed uncollectible for the years ended December 31, 2021 and 2020.

Income Tax Status: The Organization is a tax-exempt organization as defined in Section 501(c)(3) of the Internal Revenue Code. Accounting principles generally accepted in the United States of America 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 the Internal Revenue Service or other applicable taxing authorities.

Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing authorities; however, there are currently no audits for any tax periods in progress.

Liquidity: The Organization has $919,715 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of $912,863 and postage balances of $6,852. Except for the net assets with donor restrictions of $30,575, none of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the Statement of Financial Position date. The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 120 days of normal operating expenses, which are, on average, approximately $1,386,000.

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

## Note 1 – Summary of Significant Accounting Policies (continued)

Pending Accounting Changes: In February 2016, the FASB issued ASU No. 2016-02, Leases, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the Statement of Activities and Changes in Net Assets. Currently, leases are classified as either capital or operating, with only capital leases recognized on the Statement of Financial Position. The reporting of lease related expenses in the Statements of Activities and Changes in Net Assets and Cash Flows will be generally consistent with the current guidance. The new lease guidance will be effective for the fiscal year beginning after December 15, 2021 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to result in corresponding increases to assets and liabilities resulting from any current operating leases; however, the amount has not been quantified. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

## Note 2 – Fixed Assets

Property and equipment at December 31, 2021 and 2020 consists of the following:

| | Cost 12/31/2020 | Acquisitions/ (Deletions) | Cost 12/31/2021 | Accumulated Depreciation 12/31/2021 |
|---|---|---|---|---|
| Depreciable assets: | | | | |
| Building | $ 927,143 | $ - | $ 927,143 | $ (161,874) |
| Office furniture | 46,005 | - | 46,005 | (34,477) |
| Office equipment | 235,378 | - | 235,378 | (231,097) |
| Non-depreciable assets: | | | | |
| Land | 65,364 | - | 65,364 | - |
| Artwork | 12,250 | - | 12,250 | - |
| Total fixed assets | $ 1,286,140 | $ - | $ 1,286,140 | $ (427,448) |

Depreciation expense for the years ended December 31, 2021 and 2020 was $31,075 and $33,411, respectively.

## Note 3 – Lease Commitments

The Organization has three equipment – operating leases:

1. A postage machine lease was entered effective October 2016 through September 2021 for $1,155 per quarter.
2. A photocopier lease was entered effective May 2016 through June 2021 for $272 per month.

## Note 3 – Lease Commitments (continued)

3. A photocopier lease was entered effective September 2019 through August 2024 for $1,143 per month.

Equipment rent expense for the years ended December 31, 2021 and 2020 was $19,311 and $22,790, respectively. The following are the minimum future lease commitments:

| Year ending December 31, | | |
|---|---|---|
| 2022 | $ | 13,714 |
| 2023 | | 13,714 |
| 2024 | | 9,143 |
| Total | $ | 36,571 |

## Note 4 – Concentrations

Approximately 14% and 15% of the Organization's total support and revenues for the years ended December 31, 2021 and 2020 respectively, came from contributions from a single donor. Any substantial loss of donations from this particular donor could significantly affect the Organization's range of services provided.

## Note 5 – Fund Balance – Net Assets with Donor Restrictions

Prior to 1997, the estate of Franklin Butcha executed a note under the charitable remainder trust provision of the Internal Revenue Code. Interest of 7.0% per annum is paid quarterly to the beneficiary of Franklin Butcha estate (his spouse) until her death. The principal loan of $25,000, plus previously accrued interest of $5,576 prior to Franklin's death, for a total of $30,575, was recognized as other income in 1996. Since then, income and interest expense have been recorded through the unrestricted fund balance. Any present value adjustments to the bequest, as with discounted cash flow adjustment, were deemed insignificant.

## Note 6 – Reclassification

A reclassification has been made to the 2020 financial statement presentation to correspond to the current year's format. Change in net assets is unchanged due to this reclassification.

## Note 7 – Date of Management's Review

Subsequent events have been evaluated through the date of this report, which is the date the financial statements were available to be issued. It was concluded that there are no subsequent events required to be disclosed.