

**Bill of Rights Institute**

Financial Statements  
and Independent Auditors' Report

December 31, 2019 and 2018

# Bill of Rights Institute

Financial Statements  
December 31, 2019 and 2018

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Bill of Rights Institute

We have audited the accompanying financial statements of the Bill of Rights Institute (“the Institute”), which comprise the statements of financial position as of December 31, 2019 and 2018; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

### ***Management’s Responsibility for the Financial Statements***

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

### ***Auditor’s Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the Institute adopted Financial Accounting Standards Board Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The word "Rogers" is written in a large, stylized cursive font, followed by a plus sign and the words "Company PLLC" in a smaller, more standard cursive font.

Vienna, Virginia  
April 21, 2020

## Bill of Rights Institute

### Statements of Financial Position December 31, 2019 and 2018

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 2,423,880	\$ 1,558,683
Accounts receivable	2,118	-
Grants receivable	1,000,000	820,000
Prepaid expenses and deposits	32,598	94,318
Property and equipment, net	237,185	374,131
	<hr/>	<hr/>
Total assets	\$ 3,695,781	\$ 2,847,132
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 399,944	\$ 385,290
Refundable advances	400,000	28,114
Deferred rent	228,080	230,335
	<hr/>	<hr/>
Total liabilities	1,028,024	643,739
	<hr/>	<hr/>
<b>Net Assets</b>		
Without donor restrictions	2,412,377	2,075,586
With donor restrictions	255,380	127,807
	<hr/>	<hr/>
Total net assets	2,667,757	2,203,393
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Total liabilities and net assets	\$ 3,695,781	\$ 2,847,132
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## Bill of Rights Institute

Statement of Activities  
For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and Support</b>			
Contributions and grants	\$ 5,371,853	\$ 371,125	\$ 5,742,978
In-kind contributions	359,984	-	359,984
Interest income	7,444	-	7,444
Released from restrictions	<u>243,552</u>	<u>(243,552)</u>	<u>-</u>
Total revenue and support	<u>5,982,833</u>	<u>127,573</u>	<u>6,110,406</u>
<b>Expenses</b>			
Program services:			
Educational programs	<u>3,025,549</u>	<u>-</u>	<u>3,025,549</u>
Total program services	<u>3,025,549</u>	<u>-</u>	<u>3,025,549</u>
Supporting services:			
Management and general	1,501,365	-	1,501,365
Fundraising	<u>1,119,128</u>	<u>-</u>	<u>1,119,128</u>
Total supporting services	<u>2,620,493</u>	<u>-</u>	<u>2,620,493</u>
Total expenses	<u>5,646,042</u>	<u>-</u>	<u>5,646,042</u>
<b>Change in Net Assets</b>	336,791	127,573	464,364
<b>Net Assets, beginning of year</b>	<u>2,075,586</u>	<u>127,807</u>	<u>2,203,393</u>
<b>Net Assets, end of year</b>	<u>\$ 2,412,377</u>	<u>\$ 255,380</u>	<u>\$ 2,667,757</u>

See accompanying notes.

## Bill of Rights Institute

Statement of Activities  
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>			
Contributions and grants	\$ 4,463,744	\$ 281,250	\$ 4,744,994
In-kind contributions	207,895	-	207,895
Interest income	2,372	-	2,372
Released from restrictions	571,142	(571,142)	-
Total revenue and support	5,245,153	(289,892)	4,955,261
<b>Expenses</b>			
Program services:			
Educational programs	3,215,602	-	3,215,602
Total program services	3,215,602	-	3,215,602
Supporting services:			
Management and general	1,489,589	-	1,489,589
Fundraising	443,206	-	443,206
Total supporting services	1,932,795	-	1,932,795
Total expenses	5,148,397	-	5,148,397
<b>Change in Net Assets</b>	96,756	(289,892)	(193,136)
<b>Net Assets, beginning of year</b>	1,978,830	417,699	2,396,529
<b>Net Assets, end of year</b>	\$ 2,075,586	\$ 127,807	\$ 2,203,393

See accompanying notes.

## Bill of Rights Institute

### Statement of Functional Expenses For the Year Ended December 31, 2019

	Educational Programs	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and wages	\$ 727,545	\$ 679,674	\$ 462,531	\$ 1,869,750
Employee benefits	83,385	52,978	74,770	211,133
Payroll taxes	53,124	49,628	33,773	136,525
<b>Total personnel expenses</b>	<b>864,054</b>	<b>782,280</b>	<b>571,074</b>	<b>2,217,408</b>
Professional fees	685,391	450,434	272,111	1,407,936
Occupancy	132,841	124,099	84,452	341,392
Printing and publication	354,467	9,874	84,084	448,425
Postage and shipping	58,337	7	24,283	82,627
Supplies	97,302	6,997	1,077	105,376
Travel and entertainment	129,386	-	2,529	131,915
Conferences and seminars	568,363	644	495	569,502
Property tax	-	14,426	-	14,426
Equipment rent and maintenance	1,045	3,985	-	5,030
List rental	45,410	-	46,265	91,675
Telephone	16,183	12,038	-	28,221
Awards	3,150	368	-	3,518
Miscellaneous	-	11,125	-	11,125
Insurance	3,132	16,952	-	20,084
Web design	14,961	-	-	14,961
Bad debt	-	20,000	-	20,000
Depreciation and amortization	51,527	48,136	32,758	132,421
<b>Total Expenses</b>	<b>\$ 3,025,549</b>	<b>\$ 1,501,365</b>	<b>\$ 1,119,128</b>	<b>\$ 5,646,042</b>

See accompanying notes.



## Bill of Rights Institute

### Statement of Functional Expenses For the Year Ended December 31, 2018

	Educational Programs	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and wages	\$ 710,360	\$ 727,041	\$ 125,566	\$ 1,562,967
Employee benefits	57,935	67,826	11,590	137,351
Payroll taxes	47,183	48,290	8,340	103,813
<b>Total personnel expenses</b>	815,478	843,157	145,496	1,804,131
Professional fees	958,712	305,582	161,591	1,425,885
Occupancy	144,526	147,920	25,547	317,993
Printing and publication	367,378	38,254	2,438	408,070
Postage and shipping	8,937	1,913	49,735	60,585
Supplies	25,162	35,713	370	61,245
Travel and entertainment	98,453	6,874	13,831	119,158
Conferences and seminars	500,889	4,601	2,394	507,884
Equipment rent and maintenance	816	2,642	-	3,458
List rental	40,966	-	32,147	73,113
Telephone	1,729	26,986	-	28,715
Awards	4,300	560	-	4,860
Miscellaneous	1,044	2,466	26	3,536
Insurance	502	17,156	-	17,658
Web design	192,225	-	-	192,225
Depreciation and amortization	54,485	55,765	9,631	119,881
<b>Total Expenses</b>	\$ 3,215,602	\$ 1,489,589	\$ 443,206	\$ 5,148,397

## Bill of Rights Institute

### Statements of Cash Flows For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 464,364	\$ (193,136)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	132,421	119,881
Loss on disposal of property and equipment	4,525	3,749
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(2,118)	1,026
Grants receivable	(180,000)	(820,000)
Prepaid expenses and deposits	61,720	63,863
Increase (decrease) in:		
Accounts payable and accrued expenses	14,654	(29,402)
Refundable advances	371,886	(251,572)
Deferred rent	(2,255)	166,903
Net cash provided by (used in) operating activities	<u>865,197</u>	<u>(938,688)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	865,197	(938,688)
<b>Cash and Cash Equivalents, beginning of year</b>	<u>1,558,683</u>	<u>2,497,371</u>
<b>Cash and Cash Equivalents, end of year</b>	<u><u>\$ 2,423,880</u></u>	<u><u>\$ 1,558,683</u></u>

See accompanying notes.

# Bill of Rights Institute

Notes to Financial Statements  
December 31, 2019 and 2018

## 1. Nature of Operations

The Bill of Rights Institute (“the Institute”) is a not-for-profit organization whose mission and principal activities are to educate the public about the U.S. Constitution and the Bill of Rights. The Institute’s revenues and other support are derived primarily from contributions, and its activities are conducted throughout the United States.

## 2. Summary of Significant Accounting Policies

### Basis of Accounting and Presentation

The Institute’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. 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 that 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.

### Cash Equivalents

For the purpose of the statements of cash flows, the Institute considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase.

### Grants Receivable

Grants receivable represent unconditional promises to give, and are reflected at net realizable value as all amounts are expected to be collected within one year. The Institute’s policy is to charge-off uncollectible receivables when management determines the receivables will not be collected. No allowance for doubtful accounts is recorded, as management believes that all amounts are deemed fully collectible.

## Bill of Rights Institute

Notes to Financial Statements  
December 31, 2019 and 2018

### 2. Summary of Significant Accounting Policies (continued)

#### Property and Equipment

Property and equipment acquisitions with a cost in excess of \$5,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the individual assets, which range from three to fifteen years. Repairs and maintenance costs are expensed as incurred. Donated assets are capitalized at fair market value on the date of donation.

#### Refundable Advances

Advances received from grantors prior to incurring the costs are recorded as refundable advances in the accompanying statements of financial position.

#### Revenue Recognition

All contributions and grants, including unconditional promises to give, are considered to be available for unrestricted use unless specifically restricted by the donor. The Institute reports them as restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to one of the Institute's programs or to a future year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. However, restrictions met in the same accounting period in which the related contribution was received are treated as net assets without donor restrictions.

Revenue from all other sources, including contributions and grants that require a reciprocal transfer of goods or services, is recognized when earned.

#### In-Kind Contributions

The value of contributions that enhance a nonfinancial asset, which are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying statements of activities as in-kind contributions. In-kind contributions consist of pro-bono accounting, legal, development, and subscription services that benefit both program and supporting services. In-kind contributions are recognized as revenue and expense in the accompanying statements of activities at their estimated fair value, as provided by the donor, at the date of receipt.

## Bill of Rights Institute

Notes to Financial Statements  
December 31, 2019 and 2018

### 2. Summary of Significant Accounting Policies (continued)

#### Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled \$87,206 and \$84,024 for the years ended December 31, 2019 and 2018, respectively, and is included as a component of professional fees in the accompanying statements of functional expenses.

#### 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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### Change in Accounting Principles

Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, supersedes or replaces nearly all revenue recognition guidance under accounting principles generally accepted in the United States of America. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Institute has implemented Topic 606 and has adjusted, if applicable, the presentation in the accompanying financial statements accordingly. The implementation had no impact on the previously reported net assets.

## Bill of Rights Institute

Notes to Financial Statements  
December 31, 2019 and 2018

### 2. Summary of Significant Accounting Policies (continued)

#### Change in Accounting Principles (continued)

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Institute has implemented ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. The implementation had no impact on the previously reported net assets.

#### Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in the Institute's fiscal year 2021.

#### Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through April 21, 2020, the date the financial statements were available to be issued.

### 3. Liquidity and Availability

The Institute strives to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

## Bill of Rights Institute

Notes to Financial Statements  
December 31, 2019 and 2018

### 3. Liquidity and Availability (continued)

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,423,880	\$ 1,558,683
Accounts receivable	2,118	-
Grants receivable	<u>1,000,000</u>	<u>820,000</u>
Total financial assets	3,425,998	2,378,683
Less: restricted by donors	<u>(255,380)</u>	<u>(127,807)</u>
Total available for general expenditures	<u><u>\$ 3,170,618</u></u>	<u><u>\$ 2,250,876</u></u>

### 4. Concentrations of Credit Risk

Financial instruments that potentially subject the Institute to significant concentrations of credit risk consist of cash and cash equivalents. The Institute maintains cash and cash equivalents deposit and transaction accounts at a financial institution, and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC). The Institute has not experienced any credit losses on its cash and cash equivalents to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of the financial institution and believes that the risk of any credit loss is minimal.

## Bill of Rights Institute

Notes to Financial Statements  
December 31, 2019 and 2018

### 5. Property and Equipment

The Institute held the following property and equipment at December 31:

	<u>2019</u>	<u>2018</u>
Civics & Economics digital textbook	\$ 838,981	\$ 838,981
Furniture and equipment	<u>23,107</u>	<u>50,126</u>
Total property and equipment	862,088	889,107
Less: accumulated depreciation and amortization	<u>(624,903)</u>	<u>(514,976)</u>
Property and equipment, net	<u>\$ 237,185</u>	<u>\$ 374,131</u>

### 6. Commitment and Contingencies

#### Operating Lease

The Institute entered into an operating lease agreement for its office space, which commenced on October 1, 2017 and expires on April 30, 2027. This lease calls for a base monthly rent of \$21,208 and annual rental increases of 2.5%, which does not include the pro rata share of the building's operating expenses and real estate taxes. The terms of the lease include certain lease incentives in the form of sixteen months of rent abatement provided at the beginning of the lease term. In addition, the lease terms provide for a leasehold improvement allowance for buildout of the office space. The allowance is recognized as a reduction of rental expense over the life of the lease.

The unamortized portion of the cumulative difference between the actual rent paid and the straight-line rent, and lease incentives, is reflected as deferred rent in the accompanying statements of financial position.

Occupancy expense totaled \$341,392 and \$317,993 for the years ended December 31, 2019 and 2018, respectively.



## Bill of Rights Institute

Notes to Financial Statements  
December 31, 2019 and 2018

### 6. Commitment and Contingencies (continued)

#### Operating Lease (continued)

Future minimum lease payments under the lease are as follows for the years ending December 31:

2020	\$	268,483
2021		275,209
2022		282,115
2023		289,159
2024		296,395
Thereafter		<u>721,140</u>
Total future minimum lease payments	\$	<u>2,132,501</u>

### 7. Net Assets With Donor Restrictions

Net assets with donor restrictions were purpose restricted for educational programs and totaled \$255,380 and \$127,807 at December 31, 2019 and 2018, respectively.

### 8. Related Party Transactions

The Institute receives support in the form of contributions from the founding members. For the years ended December 31, 2019 and 2018, the Institute received \$2,500 and \$2,000, respectively, which is included in contributions and grants in the accompanying statements of activities.

### 9. Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include salaries, benefits, and other overhead expenses, which are allocated on the basis of estimates of time and effort.

## **Bill of Rights Institute**

Notes to Financial Statements  
December 31, 2019 and 2018

### **10. Retirement Plan**

The Institute provides a 401(k) retirement savings plan. All employees are eligible to participate in the plan after they meet certain age and length of service requirements. The Institute provides employer matching contributions up to 2.5% of the employees' compensation. On January 1, 2019, the plan was converted to a Safe Harbor plan with an employer matching contribution of 100% of the first 1% of employees' compensation, and 50% of the next 5% of employees' compensation. All employees are fully vested into the plan. Employer contributions totaled \$52,120 and \$32,902 for the years ended December 31, 2019 and 2018, respectively.

### **11. Income Taxes**

The Institute is recognized as a tax-exempt organization under Internal Revenue Code (IRC) Section 501(c)(3) and is exempt from income taxes except for taxes on unrelated business activities. No tax expense is recorded in the accompanying financial statements, as there was no significant net unrelated business taxable income. Contributions to the Institute are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management evaluated the Institute's tax positions and concluded that the Institute's financial statements do not include any uncertain tax positions.