INSTITUTE FOR CREATION RESEARCH

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2020

Institute for Creation Research
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June 30, 2020

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
of Institute for Creation Research

We have audited the accompanying financial statements of Institute for Creation Research (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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.

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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 Institute for Creation Research as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Salmon Sims Thomas

Salmon Sims Thomas & Associates
A Professional Limited Liability Company

November 30, 2020

Institute for Creation Research
Statement of Financial Position
June 30, 2020

ASSETS

Current Assets	
Cash and cash equivalents	$ 1,569,495
Restricted cash - split-interest agreements	186,443
Prepaid expenses	5,689
Inventory	430,798
Total Current Assets	2,192,425
Long-Term Assets	
Charitable gift reserve funds	2,487,312
Long-term investments - split-interest agreements	1,372,587
Property and equipment, net	35,955,697
Total Long-term Assets	39,815,596
TOTAL ASSETS	$ 42,008,021

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	$ 16,433
Accrued liabilities	291,742
Line of credit	2,625,000
Revocable living trusts	43,798
Deferred revenue	42,417
Current portion of liabilities under split-interest agreements	288,998
Total Current Liabilities	3,308,388
Long Term Liabilities	
Paycheck Protection Program loan	262,129
Liabilities under split-interest agreements, net of current portion	2,201,884
Total Long-term Liabilities	2,464,013
Total Liabilities	5,772,401
Net Assets	
Without donor restrictions	35,593,811
With donor restrictions	641,809
Total Net Assets	36,235,620
TOTAL LIABILITIES AND NET ASSETS	$ 42,008,021

The accompanying notes are an integral part of this financial statement.

Institute for Creation Research
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Contributions	$ 6,997,822	$ 2,429,449	$ 9,427,271
Book sales revenue	645,191	-	645,191
Discovery Center revenue	393,410	-	393,410
Investment return	409	37,914	38,323
Change in value of split-interest agreements	(295,793)	(11,328)	(307,121)
Unrealized gain (loss) on investments	36,689	(37,822)	(1,133)
In-kind broadcasting revenue	2,042,300	-	2,042,300
Royalties and honoraria income	36,191	-	36,191
Paycheck Protection Program loan forgiveness revenue	542,159	-	542,159
Other revenue	95,910	-	95,910
	10,494,288	2,418,213	12,912,501
Net assets released from restriction	2,404,115	(2,404,115)	-
Total Revenues and Support	12,898,403	14,098	12,912,501
Expenses			
Program services			
Education	5,614,508	-	5,614,508
Research	1,091,784	-	1,091,784
Applied research and communications	3,501,130	-	3,501,130
Total program services	10,207,422	-	10,207,422
Supporting activities			
General and administrative	922,053	-	922,053
Fundraising	426,439	-	426,439
Total supporting activities	1,348,492	-	1,348,492
Total Expenses	11,555,914	-	11,555,914
Increase in Net Assets	1,342,489	14,098	1,356,587
Net Assets, beginning of year	34,251,322	627,711	34,879,033
Net Assets, end of year	$ 35,593,811	$ 641,809	$ 36,235,620

The accompanying notes are an integral part of this financial statement.

Institute for Creation Research
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services			Supporting Activities		
	Education	Research	Applied Research/ Communications	General and Administrative	Fundraising	Total Expenses
Salaries and fringe benefits	$ 1,700,469	$ 871,885	$ 1,181,543	$ 600,002	$ 259,862	$ 4,613,761
Postage and freight	687,469	93	7,704	1,431	45,837	742,534
Printing	608,304	164	2,521	328	40,238	651,555
Professional services	324,913	-	42,285	112,606	-	479,804
Travel and hospitality	60,890	36,700	50,892	16,952	676	166,110
Information technology	56,299	5,779	3,187	4,193	1,367	70,825
Promotion and advertising	77,859	-	8,418	3,247	12,108	101,632
Cost of sales	227,904	-	7,348	-	-	235,252
Depreciation expense	1,017,344	104,435	57,593	75,766	24,701	1,279,839
Supplies	217,376	34,628	22,437	6,149	4,513	285,103
Other	21,167	510	13,308	10,224	4,727	49,936
Equipment rental	81,412	23	12,592	-	-	94,027
Utilities	93,621	12,160	10,797	4,430	11,046	132,054
Telephone	92,088	10,385	13,961	8,896	2,956	128,286
Maintenance	160,365	8,826	6,631	10,207	17,204	203,233
Credit card and bank charges	136,645	-	2,978	60,605	-	200,228
Insurance	49,458	5,090	9,096	3,937	1,204	68,785
Radio - air time valuation	-	-	2,042,300	-	-	2,042,300
Royalties	575	-	-	-	-	575
Tuition assistance	-	1,106	-	-	-	1,106
Subscriptions	350	-	5,539	3,080	-	8,969
Total Expenses	$ 5,614,508	$ 1,091,784	$ 3,501,130	$ 922,053	$ 426,439	$ 11,555,914

The accompanying notes are an integral part of this financial statement.

Institute for Creation Research
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash Flows From Operating Activities	
Increase in Net Assets	$ 1,356,587
Adjustments to reconcile change in net assets	
to net cash provided by operating activities:	
Depreciation	1,279,839
Unrealized loss on investments	1,133
Realized loss on split-interest agreements	307,121
Reinvestment of interest and dividends	(37,914)
Change in assets and liabilities:	
Prepaid expenses	16,030
Inventory	(107,381)
Accounts payable	(89,308)
Deferred revenue	42,417
Accrued liabilities	11,482
Net Cash Provided by Operating Activities	2,780,006
Cash Flows From Investing Activities	
Purchase of property and equipment	(1,524,575)
Change in retainage payable	(592,664)
Purchase of investments	(527,469)
Change in living trust liabilities	288,559
Net proceeds from sale of investments	120,534
Net Cash Used by Investing Activities	(2,235,615)
Cash Flows From Financing Activities	
Proceeds from Paycheck Protection Program loan	804,288
Forgiven amount from Paycheck Protection Program loan	(542,159)
Proceeds from line of credit	625,000
Net Cash Provided by Financing Activities	887,129
Net Increase in Cash, Cash Equivalents, and Restricted Cash	1,431,520
Cash, Cash Equivalents, and Restricted Cash, beginning of year	324,418
Cash, Cash Equivalents, and Restricted Cash, end of year	$ 1,755,938

The accompanying notes are an integral part of this financial statement.

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

The summary of significant accounting policies of the Institute for Creation Research ("the Institute") is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Institute's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

Organization

The Institute is a California nonprofit corporation headquartered in Dallas, Texas. The Institute was founded in 1970 and is a leader in scientific research within the context of biblical creation and biblical apologetics. As a research organization, the Institute conducts laboratory, field, theoretical, and library research projects that seek to understand the science of origins and Earth history. As an educational organization, the Institute offers formal courses of instruction, including graduate degree programs at the School of Biblical Apologetics, conducts seminars and conferences, produces and presents radio programming, offers both live streaming and downloadable lectures on science topics, as well as other means of education. As an educational organization, the Institute also offers educational services to the general public through its recently opened museum, the ICR Discovery Center for Science & Earth History (ICR Discovery Center). At the ICR Discovery Center, one can learn how science affirms biblical creation through engaging exhibits, stunning planetarium shows, and hearing live presentations by ICR scientists. The Institute also produces and publishes books, DVDs, periodicals, a full-color monthly magazine, a quarterly devotional booklet and other media for communicating the evidence and information confirming the authority and historicity of Scripture.

Cash, Cash Equivalents and Restricted Cash

The Institute considers all investments with original maturity dates of ninety days or less to be cash equivalents. The Institute places its cash, which, at times, may exceed federally insured limits, with high-credit quality institutions. The Institute has not experienced any losses on such accounts.

The amounts included in restricted cash represent those required to be set aside by split-interest agreements for the payments to the grantor or other designated beneficiaries.

Investments

Investments, consisting of equity securities, and mutual funds, are stated at their current market values. Investment income consists of interest and dividend income, realized gains or losses, and unrealized gains or losses.

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory consists of books, DVDs, shirts, educational toys, and other media, and is stated at the average costing basis.

Property, Equipment, Depreciation and Amortization

Property and equipment are stated at cost when purchased or fair value at the date the asset is donated, less accumulated depreciation and amortization. Expenditures for property and equipment greater than $5,000 are capitalized at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 5 to 40 years.

Financial Statement Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

> <u>Net Assets with donor restrictions</u> - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Institute and/or the passage of time.
>
> <u>Net Assets without donor restrictions</u> - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions of assets other than cash are recorded at their estimated fair value.

Restricted and Unrestricted Contributions and Support

Contributions received are recorded with or without restriction, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as “net assets released from restrictions.”

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Institute is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Institute has been classified as an organization that is not a private institute under IRC Section 509(a)(2), and as such, contributions to the Institute qualify for deductions as charitable contributions. However, income generated from activities unrelated to the Institute's exempt purpose is subject to tax under IRC Section 511.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include depreciation and amortization, donated media time, value of split-interest agreements, and the functional allocation of expenses. Actual results could vary from estimates.

Accounting for Uncertainty in Income Taxes

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 740-10 would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statement of activities or accrued in the statement of financial position. Federal tax returns of the entity are generally open to examination by the relevant taxing authority for a period of three years from the date the returns are filed.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to either program, supporting, or fundraising functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Allocations are based on time and effort spent in each area or square footage where applicable. The expenses that are allocated include salary and wages, depreciation, administration, and professional services, along with other program expenses. All other natural expense categories using the key concept of direct conduct or direct supervision are 100% charged to the benefiting program, support, or fundraising service.

Advertising Costs

Advertising costs are expensed as incurred. The Institute expended $101,632 promoting the Discovery Center, seminars, and other institutional events for the year ended June 30, 2020.

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Collections

Collections consist of historical artifacts that are held for educational purposes. These artifacts are preserved and cared for and records of each item are maintained. Collections are capitalized at cost if purchased and at fair value on the date of the gift, if donated.

Revocable Living Trusts

The Institute is the trustee for certain revocable trusts which are included in the financial statements under revocable living trusts. Revenue is not recognized on these trusts until the trusts become irrevocable or the assets are distributed to the Institute for its unconditional use. Until revenue is recognized, the Institute records a liability to offset the trust assets which are included in the long-term investments – split-interest agreements in the accompanying statement of financial position.

Split-Interest Agreements

The Institute has entered into charitable gift annuity agreements. Under these agreements a donor contributes assets to the Institute in exchange for the right to receive a fixed dollar annual return during the donor's lifetime. A portion of the transfer is a charitable contribution for income tax purposes to the donor. The difference between the amount provided for the gift annuity and the liability for future payments, determined on an actuarial basis, is recognized as a contribution at the date of the gift. The liabilities, which are reflected as a part of liabilities under split-interest agreements, are revalued annually using a discount rate established at the inception of the agreement and appropriate actuarial assumptions. Actuarial changes and annuity payments are reported as a change in value of future payments under its charitable gift annuity contracts as required by governing state laws. The Institute maintains separate reserve funds to meet future payments under its charitable gift annuity contracts as required by state law. The total amount held in separate reserve funds was $2,487,312 as of June 30, 2020.

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Split-Interest Agreements (Continued)

As trustee, the Institute administers irrevocable charitable trusts. These trusts provide the payment of lifetime distributions to the grantor or other designated beneficiaries. The present value of the lifetime beneficiaries' interests is reflected as liabilities under split-interest agreements on the statement of financial position using federal discount and mortality tables. At the death of the lifetime beneficiaries, the trusts provide for the distribution of assets to the designated remainderman. The present value of the Institute's remainder interest is reported as contributions with donor restrictions in the period received, and as a reclassification to net assets without donor restrictions when released, unless specified for a restricted purpose. Actuarial changes, annuity payments, matured agreements, investment income and unrealized gains and losses are reported as a change in value of split-interest agreements in the statement of activities and changes in net assets. The portion attributable to other remaindermen is reflected as a part of liabilities under split-interest agreements on the statement of financial position. The total value of liabilities under split-interest agreements at June 30, 2020 was $2,490,882.

Fair Value of Financial Instruments

FASB ASC Topic 820, *Fair Value Measurements and Disclosures* provides the 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC Topic 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Institute has the ability to access.

Level 2 Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. For the year ended June 30, 2020, there were no significant transfers between levels.

The following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at June 30, 2020.

Fixed Income: Fixed income instruments traded on national securities exchanges are valued at the closing price on the last business day of the fiscal year.

Mutual Funds: Mutual funds traded on national securities exchanges are valued at the closing price on the last business day of the fiscal year.

Irrevocable Split-Interest Arrangements: Charitable gift annuities, charitable remainder trusts and similar arrangements in which the Institute is trustee or custodian, conform to GAAP which generally requires investment securities be carried at estimated fair value. Assets are invested in mutual funds traded on national securities exchanges and are valued at the closing price on the last business day of the fiscal year.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Institute believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The new standard requires lessees to recognize a right-of-use (ROU) asset and a related lease liability for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with 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 new standard is effective for private entities for annual periods beginning after December 15, 2021. The Institute is currently assessing the impact that adoption of ASU 2016-02 will have on its statement of financial position but expects that the guidance will not result in significant changes to the statement of activities and changes in net assets. The update will be adopted in the fiscal year ending June 30, 2023.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash*, as an update to ASC 230, Statement of Cash Flows. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The updated guidance was effective for annual periods beginning after December 15, 2018, and interim periods within those fiscal years. The Institute adopted this update in fiscal year 2020.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* which superseded the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract.

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 ASU provides guidance for treating receipts as exchange transactions under Topic 606 or as contributions under Topic 958, as well as clarifies the treatment of contributions as unconditional or conditional.

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

These statements were effective for annual periods beginning after December 15, 2018. The Institute adopted these updates in fiscal year 2020. See below for revenue recognition by the Institute. The Institute also determined there were no conditional contributions received in fiscal year 2020.

Revenue Recognition

The Institute receives revenue for services that is recognized when the control of the promised service is transferred to customers in an amount that reflects the consideration the Institute expects to be entitled to receive in exchange for those services under Topic 606. The Institute's service revenue includes retail products sales, the Discovery Center tickets sales and annual membership fees. Retail products sales and the Discovery Center tickets sales are recognized when the sale or transaction occurs; annual membership fees are recognized over the term of applicable memberships.

Date of Management's Review

Subsequent events have been evaluated for potential recognition or disclosure through November 30, 2020, which is the date the financial statements were available to be issued. See Note 11.

NOTE 2: INVESTMENTS/CHARITABLE GIFT RESERVE

Investments at June 30, 2020 consisted of the following:

Mutual funds	$ 3,519,434
Fixed income securities	340,465
Total investments	$ 3,859,899

NOTE 3: FAIR VALUE MEASURMENTS

Fair value of assets and liabilities measured on a recurring basis at June 30, 2020 are as follows:

	Assets and Liabilities at Fair Value			
	Total	Level 1	Level 2	Level 3
Mutual funds	$ 3,519,434	$ 3,519,434	$ -	$ -
Fixed income securities	340,465	340,465	-	-
Total investments	$ 3,859,899	$ 3,859,899	$ -	$ -
Liabilities for annuities and trusts	$ 2,534,680	$ -	$ 2,534,680	$ -

NOTE 4: NET ASSETS

At June 30, 2020, net assets with restrictions consisted of the following:

Subject to time or donor restriction	
Estimated future trust benefits	$ 576,082
Other institute projects	61,868
Funds in perpetuity	
Educational purposes	3,859
	$ 641,809

Net assets released from restrictions during the year ended June 30, 2020 were as follows:

Discovery Center	$ 884,796
Other institute projects	1,519,319
	$ 2,404,115

NOTE 5: RETIREMENT PLAN

The Institute maintains a 401(k) retirement plan ("the Plan") for the benefit of its employees. Eligible employees may make elective deferral contributions to the Plan. The Institute makes non-discretionary contributions equal to 6% of each employee's compensation to the Plan. The Institute contributed $189,182 to the Plan during the year ended June 30, 2020.

NOTE 6: DONATED MEDIA

The Institute receives donated airtime to facilitate broadcasting certain of its radio programs. Management estimates the value of the donated airtime based on comparable costs of airing the programs on similar radio stations. During the year ended June 30, 2020, the Institute recognized $2,042,300 of donated airtime which is included as "in-kind broadcasting revenue" and "applied research and communications" expense in the accompanying statement of activities and changes in net assets.

NOTE 7: LINE OF CREDIT

In June 2018, the Institute opened a line of credit with a financial institution in the amount of $5,000,000, which is due on demand, with interest rate based on one-month LIBOR plus 1.5%. The interest rate as of June 30, 2020 was 2.49%. The Institute is required to make monthly interest-only payments. The line is secured by certain investments owned by a related party. As of June 30, 2020, the outstanding balance was $2,625,000. Interest expense for the year ended June 30, 2020 was $105,726.

NOTE 8: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2020:

Land	$ 2,476,069
Building and improvements	3,864,586
Furniture and equipment	731,078
Collections	440,802
Discovery Center	31,011,982
Total property and equipment	38,524,517
Less: Accumulated depreciation	(2,568,820)
Property and equipment, net	$ 35,955,697

Depreciation expense was $1,279,839 for the year ended June 30, 2020.

NOTE 9: COMMITMENTS

Operating Leases

The Institute has entered into various noncancelable operating lease commitments for certain office equipment which expire in years ending June 30, 2022 through 2023.

The future minimum lease obligation is summarized as follows for the year ending June 30,

2021	$ 76,000
2022	56,100
2023	4,500
2024 and thereafter	-

Lease expense for the year ended June 30, 2020 totaled $94,027.

NOTE 10: PAYCHECK PROTECTION PROGRAM LOAN

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred domestically in the United States, including mandates from federal, state, and local authorities, leading to an overall decline in economic activity. The ultimate impact of COVID-19 on the future financial performance of the Institute cannot be reasonably estimated at this time.

The Institute shut down its Discovery Center for three and a half months. All other services continued normally, although some transitioned from in-person to virtual settings. The Institute re-opened the Discovery Center at 50% capacity on June 30, 2020, and they will continue to collaborate with local and national authorities to monitor this ever-changing situation.

The Institute received funding of $804,288 in May 2020 under the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) as part of the Paycheck Protection Program (PPP) to provide payroll assistance. Approximately $542,000 was spent for the year ended June 30, 2020. In accordance with the provisions of the PPP loan program, the Institute may apply for forgiveness of all or a portion of the loan which was used by the Institute, during the 24-week period from the funding disbursement date, to pay eligible payroll cost, interest on mortgage obligations incurred before February 15, 2020, rent obligations under leases dated before February 15, 2020, and utility obligations under service agreements dated before February 15, 2020. At least 60% of the loan proceeds must be used for payroll costs. In addition, the Institute is required to maintain full-time equivalent employee levels through the end of the 24-week period to avoid a reduction in forgiveness.

NOTE 10: PAYCHECK PROTECTION PROGRAM LOAN (CONTINUED)

The Institute used the Government Grant Model to recognize the forgiveness revenue of $542,159 for the year ended June 30, 2020 and accounted for the remaining amount as a note payable at June 30, 2020. The amount of forgiveness is based on criteria being "substantially met". The Institute expects to have the full loan forgiven subsequent to year end, pending forgiveness from the Small Business Administration.

NOTE 11: LIQUIDITY

The Institute has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Institute has a goal to maintain financial assets, which consists of cash on hand to meet normal operating expenses.

In addition, the Institute is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Institute must maintain sufficient resources to meet those responsibilities to its donors. Thus, these financial assets may not be available for general expenditures within one year. During the year ended June 30, 2020, the Institute used approximately $885,000 of restricted funds on construction of the Discovery Center which was opened in September 2019.

The following reflects the Institute's financial assets, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions, within one year of the statement of financial position date.

Financial assets available at June 30, 2020	$ 1,569,495
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions:	
Subject to appropriation and satisfaction of donor restrictions	(61,868)
Restricted by donor for perpetual use	(3,859)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,503,768

NOTE 11: LIQUIDITY (CONTINUED)

The Institute also has a secured line of credit with a bank in the amount of $5,000,000 with an outstanding balance of $2,625,000 as of June 30, 2020 (see Note 7). As of September 30, 2020, the Institute has made approximately $109,000 in additional principal payments to the line of credit and expects to pay off the balance by June 30, 2021. The line of credit is due on demand. A related party has provided securities as collateral on the line of credit.

The Institute is party to split-interest agreements in which donors contribute assets in exchange for a fixed dollar annual return. Investments of $4,046,342 are restricted for such purposes and are therefore not included in the quantitative information above. See Note 1 for additional information.