INSTITUTE FOR CREATION RESEARCH

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2019

Institute for Creation Research
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June 30, 2019

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, 2019, 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.

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, 2019, 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

January 30, 2020

Institute for Creation Research
Statement of Financial Position
June 30, 2019

ASSETS

Current Assets	
Cash and cash equivalents	$ 140,297
Restricted cash - split-interest agreements	184,121
Other assets	21,719
Inventory	323,417
Total Current Assets	669,554
Long-Term Assets	
Charitable gift reserve funds	2,280,347
Long-term investments - split-interest agreements	1,442,957
Property and equipment, net	35,710,961
Total Long-term Assets	39,434,265
TOTAL ASSETS	$ 40,103,819

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	$ 105,741
Retainage payable	592,664
Accrued liabilities	280,260
Line of credit	2,000,000
Revocable living trusts	43,579
Current portion of liabilities under split-interest agreements	184,121
Total Current Liabilities	3,206,365
Long Term Liabilities	
Liabilites under split-interest agreements	2,018,421
Total Liabilities	5,224,786
Net Assets	
Without donor restrictions	
Undesignated	34,251,322
With donor restrictions	627,711
Total Net Assets	34,879,033
TOTAL LIABILITIES AND NET ASSETS	$ 40,103,819

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Contributions	$ 6,051,931	$ 7,720,504	$ 13,772,435
Product sales revenue	546,725	-	546,725
Investment return	2,059	50,571	52,630
Change in value of split-interest agreements	-	(26,795)	(26,795)
Gain (loss) on investments	(73,777)	3,032	(70,745)
In-kind broadcasting revenue	1,794,000	-	1,794,000
Royalties and honoraria income	62,798	-	62,798
Other revenue	147,020	-	147,020
	8,530,756	7,747,312	16,278,068
Net assets released from restriction	7,885,501	(7,885,501)	-
Total Revenues and Support	16,416,257	(138,189)	16,278,068
Expenses			
Program services			
Education	3,971,523	-	3,971,523
Research	830,779	-	830,779
Applied research and communications	3,394,732	-	3,394,732
Total program services	8,197,034	-	8,197,034
Supporting activities			
General and administrative	765,044	-	765,044
Fundraising	258,786	-	258,786
Total supporting activities	1,023,830	-	1,023,830
Total Expenses	9,220,864	-	9,220,864
Increase (Decrease) in Net Assets	7,195,393	(138,189)	7,057,204
Net Assets, beginning of year	27,055,929	765,900	27,821,829
Net Assets, end of year	$ 34,251,322	$ 627,711	$ 34,879,033

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, 2019

Cash Flows From Operating Activities	
Increase in Net Assets	$ 7,057,204
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	209,477
Amortization	45,765
Unrealized gain on investments	(105,330)
Realized loss on investments	7,790
Reinvestment of interest and dividends	(50,472)
Change in assets and liabilities:	
Other assets	9,477
Inventory	19,119
Accounts payable	104,757
Accrued liabilities	33,134
Net Cash Provided by Operating Activities	7,330,921
Cash Flows From Investing Activities	
Purchase of property and equipment	(12,804,826)
Restricted cash used for Discovery Center	(136,574)
Change in retainage payable	(259,134)
Restricted cash released for split-interest agreements	93,381
Restricted cash released for Discovery Center	136,574
Purchase of investments	(808,091)
Net proceeds from sale of investments	558,746
Living trust liabilities	112,516
Net Cash Used by Investing Activities	(13,107,408)
Cash Flows From Financing Activities	
Proceeds from line of credit	2,000,000
Net Decrease in Cash	(3,776,487)
Cash, beginning of year	3,916,784
Cash, end of year	$ 140,297

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, 2019

	Program Expenses			Supporting Expenses		
	Education	**Research**	**Applied Research/ Communications**	**General and Administrative**	**Fundraising**	**Totals**
Salaries and fringe benefits	$ 1,287,095	$ 725,576	$ 1,120,286	$ 583,448	$ 149,679	$ 3,866,084
Postage and freight	767,034	62	17,516	1,274	33,351	819,237
Printing	664,534	47	11,892	472	27,792	704,737
Professional services	81,437	465	40,700	41,987	-	164,589
Travel and hospitality	23,516	14,018	126,017	11,036	1,713	176,300
Information technology	295,284	29,994	14,300	21,451	5,647	366,676
Promotion and advertising	23,619	-	44,449	505	12,972	81,545
Cost of sales	144,993	-	29,302	-	-	174,295
Depreciation and amortization	168,691	17,135	53,935	12,254	3,227	255,242
Supplies	103,051	11,970	26,287	6,397	5,797	153,502
Other	15,709	2,748	9,960	9,362	2,722	40,501
Equipment rental	84,207	-	60,660	-	-	144,867
Utilities	66,665	8,635	7,188	3,513	1,708	87,709
Telephone	73,691	6,989	10,985	5,606	1,518	98,789
Maintenance	82,226	7,414	6,200	9,240	11,594	116,674
Credit card and bank charges	24,485	-	7,602	53,271	-	85,358
Insurance	59,022	5,660	6,378	3,329	1,066	75,455
Radio - air time valuation	-	-	1,794,000	-	-	1,794,000
Royalties	499	-	-	-	-	499
Tuition assistance	-	66	-	411	-	477
Subscriptions	5,765	-	7,075	1,488	-	14,328
Total Expenses	$ 3,971,523	$ 830,779	$ 3,394,732	$ 765,044	$ 258,786	$ 9,220,864

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. 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 and Cash Equivalents

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.

Investments

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

Inventory

Inventory is stated at the lower of cost or market on a first-in, first-out basis and consists of books, DVDs, periodicals and other media.

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.

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

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:

> Net Assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Institute and/or the passage of time.
>
> Net Assets without donor restrictions - 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 Revenue 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.”

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.

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

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 $81,545 providing educational resources and promoting seminars and other institutional events for the year ended June 30, 2019.

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.

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 $2,280,347 as of June 30, 2019.

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 are reflected as liabilities under split-interest agreements on the statements 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, 2019 was $2,202,542.

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.

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, 2019, there were no significant transfers between levels.

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)
Fair Value of Financial Instruments (Continued)
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, 2019.

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.

Recent Accounting Pronouncements
In February 2016, the FASB issued 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, 2020. The Institute is currently assessing the impact the adoption will have on its net assets.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as an update to ASC 958, Not-for-Profit Entities. This update makes several improvements to current reporting requirements that address complexities in the use of the previously required three classes of net assets and enhance required disclosures related to donor restrictions of net assets. The updated guidance resulted in a change in the classes of net assets reported on the face of the statement of financial position from three classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets without donor restrictions and net assets with donor restrictions).

The update also requires all not-for-profit entities to report expenses by function and by natural classification, either on the face of the financial statements or in the footnotes. Additional qualitative information about the methods used to allocate costs is also required to be disclosed.

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)
Recent Accounting Pronouncements (Continued)
The update also requires all not-for-profit entities to disclose quantitative information that communicates the availability of the Institute's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year as well as qualitative information on how the Institute manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date.

The updated guidance is effective for annual periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The new guidance should be applied on a retrospective basis. The Institute adopted this update in fiscal year 2019. No other material impact is expected.

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 will be effective for annual periods beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Institute will be adopting this update in fiscal year 2020. The new guidance will be applied on a retrospective basis. The updated guidance will result in a change in the statement of cash flows to include restricted cash and restricted cash equivalents. No other material impact is expected.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede 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. The statement is effective for annual periods beginning after December 15, 2018. The Institute is in the process of evaluating the potential impact of ASU 2014-09 on its financial statements and it has not yet determined the method by which the standard will be adopted in fiscal year 2020.

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,* as an update to ASC 958, Not-for-Profit Entities and to ASU 2014-09. The guidance provides a framework for evaluating whether grants should be accounted for as exchange transactions or as nonexchange transactions. For nonexchange transactions, the new guidance clarifies the contribution accounting model's guidance regarding whether arrangements are conditional or unconditional. The ASU applies to all entities that make or receive contributions but is primarily related to grants. The statement is effective for annual periods beginning after December 15, 2018.

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

Date of Management's Review

Subsequent events have been evaluated for potential recognition or disclosure through January 30, 2020, which is the date the financial statements were available to be issued. See Note 7.

NOTE 2: INVESTMENTS/CHARITABLE GIFT RESERVE

Investments at June 30, 2019 consisted of the following:

Mutual funds	$ 3,201,639
Fixed income securities	521,665
Total investments	$ 3,723,304

NOTE 3: FAIR VALUE MEASURMENTS

Fair value of assets and liabilities measured on a recurring basis at June 30, 2019 are as follows:

	Assets and Liabilities at Fair Value			
	Total	**Level 1**	**Level 2**	**Level 3**
Mutual funds	$ 3,201,639	$ 3,201,639	$ -	$ -
Fixed income securities	521,665	521,665	-	-
Total investments	$ 3,723,304	$ 3,723,304	$ -	$ -
Liabilities for annuities and trusts	$ 2,246,121	$ -	$ 2,246,121	$ -

NOTE 4: NET ASSETS

At June 30, 2019, net assets with restrictions consisted of the following:

Subject to time or donor restriction	
Estimated future trust benefits	$ 587,410
Other institute projects	36,442
Funds in perpetuity	
Scholarships	3,859
	$ 627,711

Net assets released from restrictions during the year ended June 30, 2019 were as follows:

Discovery Center	$ 7,807,386
Other Institute projects	78,115
	$ 7,885,501

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 $182,378 to the Plan during the year ended June 30, 2019.

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, 2019, the Institute recognized $1,794,000 of donated airtime which is included as "in-kind broadcasting revenue" and "applied research and communications" expense in the accompanying statement of activities.

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, 2019 was 3.93%. 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, 2019, the outstanding balance was $2,000,000. Interest expense for the year ended June 30, 2019 was $2,739. As of January 23, 2020, the outstanding balance on the line of credit is $ 4,125,000.

NOTE 8: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2019:

Land	$ 2,476,069
Building and improvements	3,828,470
Furniture and equipment	735,162
Collections	440,802
Construction in progress - Discovery Center	29,573,887
Total property and equipment	37,054,390
Less: Accumulated depreciation	(1,343,429)
Property and equipment, net	$ 35,710,961

Depreciation expense was $209,477 for the year ended June 30, 2019.

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, 2020 through 2022.

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

2020	$	85,900
2021		76,000
2022		56,100
2023		4,500
2024 and thereafter		-

Lease expense for the year ending June 30, 2019 totaled $144,867.

NOTE 10: 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, 2019, the Institute used approximately $8,000,000 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, 2019	$	140,297
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions:		
Subject to appropriation and satisfaction of donor restrictions		(36,442)
Restricted by donor for perpetual use		(3,859)
Financial assets available to meet cash needs for general expenditures within one year	$	99,996

The Institute also has a secured line of credit with a bank in the amount of $5,000,000 with an outstanding balance of $2,000,000 as of June 30, 2019 (see note 7). As of January 23, 2020, the Institute has drawn an additional $2,125,000 on the line of credit, which was used, in part, to repay the outstanding retainage payable, that was due on the Discovery Center, in-full. The line of credit is due on demand and the Institute is required to make monthly interest-only payments. A related party has provided securities as collateral on the line of credit.

NOTE 10: LIQUIDITY (CONTINUED)

As of January 23, 2020, there is $875,000 available for use by the Institute on the line of credit. The Institute has received significant contributions in December 2019 and has funds available exceeding $1,000,000 for operations as of January 23, 2020. In addition, management has projected positive cash flow from operations for the next twelve months.

The Institute is party to split-interest agreements in which donors contribute assets in exchange for a fixed dollar annual return. Investments of approximately $3,907,000 are restricted for such purposes and are therefore not included in the quantitative information above. See note 1 for additional information.