Institute for Justice

Financial Statements
and Independent Auditor's Report

June 30, 2022 and 2021

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Institute for Justice

Index

Independent Auditor's Report

To the Board of Directors
Institute for Justice
Arlington, VA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Institute for Justice (the "Institute"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

CohnReznick LLP

Bethesda, Maryland
December 2, 2022

Institute for Justice

Statements of Financial Position
June 30, 2022 and 2021

Assets

	2022	2021
Cash and cash equivalents	$ 2,518,446	$ 3,839,769
Pledges receivable, net	1,191,533	1,673,364
Other receivables	56,892	131,182
Prepaid expenses and deposits	623,898	654,378
Investments - litigation and contingency reserve	79,942,166	85,644,331
Investments - undesignated	30,766,445	27,109,416
Property and equipment, net	3,119,709	3,806,609
Total assets	$ 118,219,089	$ 122,859,049

Liabilities and Net Assets

	2022	2021
Accounts payable	$ 680,964	$ 440,508
Accrued liabilities	2,778,623	2,497,790
Capital lease obligations	35,431	51,135
Deferred rent and lease incentives	2,430,294	2,769,702
Refundable advances	476,537	538,000
Total liabilities	6,401,849	6,297,135
Net assets		
Without donor restrictions		
Undesignated	28,608,792	26,774,366
Board-designated litigation and contingency reserve	79,942,166	85,644,331
Total without donor restrictions	108,550,958	112,418,697
With donor restrictions	3,266,282	4,143,217
Total net assets	111,817,240	116,561,914
Total liabilities and net assets	$ 118,219,089	$ 122,859,049

See Notes to Financial Statements.

Institute for Justice

Statement of Activities and Change in Net Assets
Year Ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Contributions and grants	$ 30,664,719	$ 4,383,781	$ 35,048,500
Attorney fees	382,534	-	382,534
Other income	12,526	-	12,526
Net assets released from restrictions - satisfaction of program and time restrictions	5,243,814	(5,243,814)	-
Total support and revenue	36,303,593	(860,033)	35,443,560
Expenses			
Program services	26,886,501	-	26,886,501
Management	3,977,467	-	3,977,467
Development/fundraising	2,462,947	-	2,462,947
Total expenses	33,326,915	-	33,326,915
Change in net assets before non-operating activities	2,976,678	(860,033)	2,116,645
Non-operating activities			
Investment loss - litigation and contingency reserve	(5,702,177)	-	(5,702,177)
Investment loss - undesignated	(1,142,240)	(16,902)	(1,159,142)
Total non-operating activities	(6,844,417)	(16,902)	(6,861,319)
Change in net assets	(3,867,739)	(876,935)	(4,744,674)
Net assets, beginning of year	112,418,697	4,143,217	116,561,914
Net assets, end of year	$ 108,550,958	$ 3,266,282	$ 111,817,240

See Notes to Financial Statements.

Institute for Justice

Statement of Activities and Change in Net Assets
Year Ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Contributions and grants	$ 26,938,648	$ 4,305,571	$ 31,244,219
Attorney fees	3,314,074	-	3,314,074
Other income	29,756	-	29,756
Net assets released from restrictions - satisfaction of program and time restrictions	4,936,882	(4,936,882)	-
Total support and revenue	35,219,360	(631,311)	34,588,049
Expenses			
Program services	23,590,099	-	23,590,099
Management	3,479,563	-	3,479,563
Development/fundraising	2,229,821	-	2,229,821
Total expenses	29,299,483	-	29,299,483
Change in net assets before non-operating activities	5,919,877	(631,311)	5,288,566
Non-operating activities			
Investment income - litigation and contingency reserve	14,975,085	-	14,975,085
Investment income - undesignated	77,784	21,151	98,935
Total non-operating activities	15,052,869	21,151	15,074,020
Change in net assets	20,972,746	(610,160)	20,362,586
Net assets, beginning of year	91,445,951	4,753,377	96,199,328
Net assets, end of year	$ 112,418,697	$ 4,143,217	$ 116,561,914

See Notes to Financial Statements.

Institute for Justice

Statement of Functional Expenses
Year Ended June 30, 2022

	Program services	Management	Development/ fundraising	Total
Salary and benefits	$ 20,186,178	$ 2,342,369	$ 1,658,142	$ 24,186,689
Advertising	102,656	770	10,077	113,503
Accounting and corporate legal	69,763	82,224	595	152,582
Depreciation and amortization	761,137	87,591	62,712	911,440
Events	272,070	1,367	-	273,437
In-kind expenses	92,357	-	-	92,357
Insurance	82,647	81,641	-	164,288
Information technology	156,096	710,880	29,891	896,867
Occupancy	2,064,259	236,120	167,173	2,467,552
Operations	225,991	235,442	10,546	471,979
Postage	144,817	6,503	163,229	314,549
Printing	261,728	626	204,324	466,678
Professional services	1,250,963	122,608	112,443	1,486,014
Research tools and materials	403,652	20,621	30,342	454,615
Supplies	60,191	37,651	3,249	101,091
Telecommunications	74,336	10,691	2,868	87,895
Travel	677,660	363	7,356	685,379
Total expenses	$ 26,886,501	$ 3,977,467	$ 2,462,947	$ 33,326,915

See Notes to Financial Statements.

Institute for Justice

Statement of Functional Expenses
Year Ended June 30, 2021

	Program services	Management	Development/ fundraising	Total
Salary and benefits	$ 18,096,620	$ 2,100,492	$ 1,468,765	$ 21,665,877
Advertising	98,911	-	11,992	110,903
Accounting and corporate legal	100,679	77,599	4,754	183,032
Depreciation and amortization	499,802	59,002	40,559	599,363
Events	39,999	129	124	40,252
In-kind expenses	106,113	-	-	106,113
Insurance	54,321	71,433	-	125,754
Information technology	127,419	628,592	26,410	782,421
Occupancy	1,953,277	232,221	158,814	2,344,312
Operations	246,605	203,505	19,837	469,947
Postage	102,817	8,557	158,582	269,956
Printing	195,346	1,250	214,996	411,592
Professional services	1,440,381	58,324	89,557	1,588,262
Research tools and materials	309,262	15,617	29,266	354,145
Supplies	32,162	11,736	3,070	46,968
Telecommunications	68,807	8,992	2,535	80,334
Travel	117,578	2,114	560	120,252
Total expenses	$ 23,590,099	$ 3,479,563	$ 2,229,821	$ 29,299,483

See Notes to Financial Statements.

Institute for Justice

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	$ (4,744,674)	$ 20,362,586
Reconciling adjustments:		
Depreciation and amortization	911,440	599,363
Change in allowance for uncollectible pledges	(4,867)	(8,396)
Amortization of discount on pledges receivable	(22,802)	(39,876)
Loss (gain) on disposal of property and equipment	769	(271)
Unrealized/realized losses (gains) on investments	8,946,645	(13,600,522)
Changes in operating assets and liabilities:		
Pledges receivable	509,500	879,500
Other receivables	74,290	(29,552)
Prepaid expenses and deposits	30,480	(16,523)
Accounts payable	240,456	(15,111)
Accrued liabilities	280,833	365,603
Deferred rent and lease incentives	(339,408)	66,418
Refundable advances	(61,463)	(3,185,353)
Net cash provided by operating activities	5,821,199	5,377,866
Cash flows from investing activities		
Purchases of property and equipment	(225,309)	(2,317,863)
Purchases of investments	(25,163,643)	(14,128,864)
Proceeds from sales of investments	18,262,134	9,366,342
Net cash used in investing activities	(7,126,818)	(7,080,385)
Cash flows from financing activities		
Payment of capital lease obligations	(15,704)	(17,888)
Net cash used in financing activities	(15,704)	(17,888)
Net decrease in cash and cash equivalents	(1,321,323)	(1,720,407)
Cash and cash equivalents, beginning of year	3,839,769	5,560,176
Cash and cash equivalents, end of year	$ 2,518,446	$ 3,839,769
Noncash investing activity		
Property and equipment acquired through a capital lease obligation	$ -	$ 34,187
Leasehold improvements acquired through lease incentive	$ -	$ 330,338
Supplemental disclosure of cash flow information		
Interest paid	$ 7,446	$ 7,707

See Notes to Financial Statements.

Note 1 - Organization

The Institute for Justice (the "Institute") was incorporated and began operations in 1991. The Institute is a publicly-supported not-for-profit organization which works towards the protection of productive livelihoods, school choice, private property, and the free exchange of ideas through litigation and education. The Institute's sources of support are mainly provided by individuals and foundations. The Institute does not accept grants from the government.

Note 2 - Summary of significant accounting policies

Basis of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting and, accordingly, revenue is recognized when earned and expenses when the obligations are incurred.

Estimates

Management uses estimates and assumptions in preparing these financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Cash and cash equivalents

The Institute considers cash in bank accounts, cash in transit, and cash on hand to be cash and cash equivalents. Cash is held in interest-bearing demand deposit and money market demand accounts.

Concentration of risk

The Institute maintained balances of cash and cash equivalents in excess of Federal Deposit Insurance Corporation coverage. The amount of uninsured deposits at June 30, 2022 was approximately $2,440,000.

Pledges and accounts receivable

Unconditional promises to give from donors are recorded as pledges receivable when the promise is made and are reported at their net realizable amounts, using risk-free discount rates. The amortization of the discount is recorded as contributions and grants revenue in the statements of activities and change in net assets.

Receivables are recorded net of allowances for doubtful accounts when necessary. The allowances are determined based on a review of the estimated collectibility of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged off against the allowance for doubtful accounts once management determines an account, or a portion thereof, to be worthless. As of June 30, 2022 and 2021, the allowance for doubtful accounts was $12,036 and $16,903, respectively.

Note 2 - Summary of significant accounting policies (continued)

Investments

Investments consisting of money market funds, mutual funds, and exchange-traded funds are reported at their fair value based on quoted market prices provided by independent investment managers. Gains and losses, both realized and unrealized, are calculated using a specific-identification method and are recorded, along with interest and dividend income, as investment income (loss) in the statements of activities and change in net assets. Investment income (loss) is classified as an increase or decrease in net assets without donor restrictions, as applicable, unless its use is restricted by explicit donor stipulations or law.

Alternative investments, which consists of an investment in a fund of funds (the "Fund"), is reported at net asset value ("NAV"). The investment objective is to achieve above-average appreciation by opportunistically trading and investing in a wide variety of securities, instruments, and other investment opportunities and engaging in a broad array of trading and investment strategies. The Fund requires 90 days' prior written notice to redeem all or any portion of its common shares, and redemptions are made as of the last business day of any calendar quarter subject to certain limitations. NAV per share is calculated based on measurement of all the underlying investments in the funds in accordance with FASB Accounting Standards Codification ("FASB ASC") Topic 820, *Fair Value Measurement*.

Property and equipment

Property and equipment is stated at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets ranging from three to seven years. Leasehold improvements are amortized using the straight-line method over their useful lives or the terms of the lease, whichever is shorter. The Institute capitalizes assets with a cost of $2,500 or more. Construction in progress consists of computers, equipment, and leasehold improvements not yet placed in service that will be amortized once placed in service.

Revenue recognition

Contributions and unconditional promises to give are recorded at fair value, when received. All contributions are considered to be available for general use unless specifically restricted by the donor. Conditional promises to give are recorded once all conditions have been met.

Contributions received by the Institute are classified as either conditional or unconditional. A conditional contribution occurs when the Institute must overcome a barrier or hurdle to be entitled to an underlying contribution and the grantor or donor is released from the obligation to fund or has the right of return of any advanced funding if the Institute fails to overcome the barrier. Any funding received prior to overcoming the barrier is recognized as a refundable advance. Upon overcoming the barrier or hurdle, the Institute recognizes the contribution revenue in contributions and grants on the statements of activities and change in net assets. The Institute has elected the simultaneous release policy for restricted contributions that were initially considered to be conditional contributions, whereby the restriction is considered satisfied upon the condition being met and the contribution is recorded as revenue without donor restrictions.

Note 2 - Summary of significant accounting policies (continued)

Net assets with donor restrictions include contributions on which donors have imposed either time restrictions or program-specific restrictions. When a time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions.

Net assets with donor restrictions also include contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the Institute's actions. The principal amount of the gift is maintained intact in perpetuity.

The Institute periodically receives awards, typically costs, attorneys' fees, or both, from cases litigated by the Institute. These awards are recorded as attorney fees on the statements of activities and change in net assets upon final determination that the funds are no longer subject to appeal. From time to time, the Institute receives attorneys' fees before the court makes a final determination on the award, and, in those instances, these fees are included in refundable advances on the statements of financial position.

At June 30, 2022 and 2021, the Institute held $476,537 and $538,000, respectively, in refundable advances.

Board-designated litigation and contingency reserve

On November 4, 2017, the Institute's Board of Directors designated $60 million of its funds without donor restrictions as a litigation and contingency reserve, effective as of July 1, 2017. The board-designated litigation and contingency reserve fund will allow the Institute to continue to serve its obligations to its clients and advance its mission.

The Board intends that the litigation and contingency reserve fund hold an amount not less than one year of operating funds as the "Target Amount," calculated annually. If the funds in the litigation and contingency reserve are in excess of the Target Amount, the Institute may access a portion of the funds in the reserve but may not access more than ten percent of the Target Amount without Board approval. The litigation and contingency reserve balance at June 30, 2022 and 2021 was $79,942,166 and $85,644,331, respectively.

Note 2 - Summary of significant accounting policies (continued)

Noncash contributions

Donated investments and cryptocurrencies are reflected as contributions and are recorded at their fair value as of the date of the contribution. Donated investments and cryptocurrencies are converted to cash nearly immediately upon receipt and reported as cash flows from operating activities. Any gain or loss on conversion to cash is recognized as investment income in the statements of activities and change in net assets. Noncash contributions of goods and services are recorded as revenue and expenses at fair value when received and have been presented in the statements of activities and change in net assets as contributions and grants, and expensed in the appropriate functional category. The Institute recorded donated goods and services to program services in the statements of activities and change in net assets for the years ended June 30, 2022 and 2021 in the amounts of $92,357 and $106,113, respectively.

Expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and change in net assets. Expenses are allocated among the programs and support services based on the functions they directly benefit or upon management's estimates of the proportion of the expenses applicable to each function. Those estimates include the allocation of salary, fringe benefits, rent and depreciation on the basis of time and effort.

Income taxes

The Institute is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Institute's tax-exempt purpose is subject to taxation as unrelated business income. No income tax expense has been incurred or recognized for the years ended June 30, 2022 and 2021.

Management has determined there are no uncertain tax positions that are material to the financial statements for the years ended June 30, 2022 and 2021. The Institute recognizes interest expense and penalties on income taxes related to uncertain tax positions in management expenses in the statements of activities and change in net assets. There is no provision in these financial statements for penalties and interest related to income taxes on uncertain tax positions for the years ended June 30, 2022 and 2021. Tax years prior to 2018 are no longer subject to examination by the Internal Revenue Service ("IRS") or the tax jurisdiction of the District of Columbia.

Subsequent events

The Institute has evaluated events and transactions for potential recognition or disclosure through December 2, 2022, the date the financial statements were available to be issued. Other than as disclosed in Note 11, there are no events or transactions requiring recognition or disclosure in the financial statements.

Note 3 - Information regarding liquidity and availability of resources

The Institute strives to maintain liquid financial assets sufficient to cover four months of general expenditures. Financial assets in excess of daily cash requirements are invested in interest-bearing demand deposit accounts and money market demand accounts in federally insured banks and savings and loans not to exceed federally insured amounts (when feasible), federally insured certificates of deposit not to exceed federally insured amounts (when feasible), money market funds that invest in government-backed securities, and direct obligations of the U.S. government, its agencies and instrumentalities whose maturities do not exceed one year.

The following table reflects the Institute's financial assets as of June 30, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations, including the litigation and contingency reserve in excess of the ten percent annual Target Amount. Investments include litigation and contingency reserve funds as well as undesignated funds. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

	June 30, 2022	June 30, 2021
Financial assets:		
Cash and cash equivalents	$ 2,518,446	$ 3,839,769
Pledges receivables, net	1,191,533	1,673,364
Other receivables	56,892	131,182
Investments	110,708,611	112,753,747
	114,475,482	118,398,062
Less: those unavailable for general expenditure within one year due to:		
Endowment funds	(115,599)	(136,098)
Investments - litigation and contingency reserve	(76,118,055)	(82,349,437)
Beneficial interest agreement funds	(729,932)	(713,203)
Net assets with donor restrictions for use in future periods	(1,797,117)	(2,092,491)
Financial assets available to meet cash needs for general expenditures within one year:	$ 35,714,779	$ 33,106,833

Note 4 - Investments

Investments consist of the following at June 30:

	June 30, 2022		
	Litigation and contingency reserve	Undesignated	Total
Money market funds	$ -	$ 7,744,262	$ 7,744,262
Mutual funds:			
International equity	20,766,150	8,184	20,774,334
Domestic equity	9,149,172	49,443	9,198,615
Fixed income	22,329,399	22,537,731	44,867,130
Exchange-traded funds:			
International equity	3,137,880	-	3,137,880
Domestic equity	3,382,777	-	3,382,777
Commodities	17,509,147	-	17,509,147
Bonds	-	426,825	426,825
Alternative investments	3,667,641	-	3,667,641
Total investments	$ 79,942,166	$ 30,766,445	$ 110,708,611

	June 30, 2021		
	Litigation and contingency reserve	Undesignated	Total
Money market funds	$ -	$ 8,660,671	$ 8,660,671
Mutual funds:			
International equity	22,816,869	13,955	22,830,824
Domestic equity	11,691,170	62,196	11,753,366
Fixed income	26,073,785	17,940,237	44,014,022
Exchange-traded funds:			
International equity	3,781,413	-	3,781,413
Domestic equity	3,694,321	-	3,694,321
Commodities	11,036,242	-	11,036,242
Bonds	-	432,357	432,357
Alternative investments	6,550,531	-	6,550,531
Total investments	$ 85,644,331	$ 27,109,416	$ 112,753,747

Undesignated investments include monies related to beneficial interest agreements (see Note 7) and the Institute's endowment (see Note 9).

Note 4 - Investments (continued)

Investment income (loss) for the years ended June 30, 2022 and 2021 consists of the following:

	June 30, 2022		
	Litigation and contingency reserve	Undesignated	Total
Interest and dividend income	$ 1,776,429	$ 308,897	$ 2,085,326
Net unrealized/realized losses	(7,478,606)	(1,468,039)	(8,946,645)
Investment loss	$ (5,702,177)	$ (1,159,142)	$ (6,861,319)

	June 30, 2021		
	Litigation and contingency reserve	Undesignated	Total
Interest and dividend income	$ 1,212,436	$ 261,062	$ 1,473,498
Net unrealized/realized gains (losses)	13,762,649	(162,127)	13,600,522
Investment income	$ 14,975,085	$ 98,935	$ 15,074,020

The Institute classifies all interest and dividend income as investment income (loss) from non-operating activities.

Note 5 - Pledges receivable

Pledges receivable that are expected to be collected in future years are discounted to present value using a blended rate that contemplates the donor's estimated borrowing rate and a risk-free rate of return, at the date the unconditional promise is made. The discount rates for 2022 and 2021 ranged from 2.24% to 3.79%. The outstanding pledges, net of discount and provision for uncollectible pledges, consist of the following at June 30:

	2022	2021
Operating support	$ 979,178	$ 1,457,722
Fellowship	63,855	67,142
Strategic research	148,500	-
Technology	-	148,500
Total pledges receivable, net	$ 1,191,533	$ 1,673,364

Note 5 - Pledges receivable (continued)

As of June 30, pledges receivable are expected to be collected as follows:

	2022	2021
Receivable in less than one year	$ 714,500	$ 689,500
Receivable in one to five years	500,000	1,034,500
Total pledges receivable	1,214,500	1,724,000
Less: Discount to net present value	(10,931)	(33,733)
Less: Allowance for doubtful accounts	(12,036)	(16,903)
Pledges receivable, net	$ 1,191,533	$ 1,673,364

Note 6 - Property and equipment

Property and equipment consists of the following at June 30:

	2022	2021
Furniture and equipment	$ 2,652,687	$ 2,584,169
Computers and software	766,755	662,026
Leasehold improvements	5,080,678	5,064,211
Construction in progress	18,010	69,150
Total property and equipment	8,518,130	8,379,556
Less: Accumulated depreciation and amortization	(5,398,421)	(4,572,947)
Property and equipment, net	$ 3,119,709	$ 3,806,609

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 was $911,440 and $599,363, respectively. Property and equipment held under capital leases at June 30, 2022 and 2021 was $97,616 and $97,616, respectively. Accumulated amortization for assets held under capital leases for the years ended June 30, 2022 and 2021 was $69,276 and $52,380, respectively.

Note 7 - Beneficial interest agreements

During the year ended June 30, 2007, the Institute established the Four Pillars Society to honor those who have named the Institute as the beneficiary of a planned gift. Such gifts might include bequests, retirement assets, or charitable gift annuities. In one type of such gift, the charitable gift annuity, donors transfer funds to the Institute and in return receive quarterly annuity payments for the rest of their lives, as set forth in the agreement between a donor and the Institute. The initial funds the Institute receives are maintained in discrete investment accounts and are included in investments - undesignated in the accompanying statements of financial position (see Note 4). Any assets not distributed will revert to the Institute when the agreement ends. As of June 30, 2022 and 2021, the total assets, at fair value, of such beneficial interest agreements were $729,932 and $713,203, respectively.

The amount payable to beneficiaries is the net present value of the expected future cash flows to be paid to beneficiaries. The estimated liability is included with accrued liabilities in the accompanying statements of financial position and at June 30, 2022 and 2021 was $612,868 and $537,836, respectively. The actuarial present value was computed using interest rates ranging between 0.4% and 3.4% for the years ended June 30, 2022 and 2021.

Note 8 - Net assets with donor restrictions

As of June 30, 2022 and 2021, net assets with donor restrictions are restricted because they are either subject to expenditure for specified purpose and/or time, or restricted in perpetuity:

	June 30, 2022	June 30, 2021
Purpose and Time:		
Fellowship	$ 1,024,143	$ 1,002,088
School choice	-	258,213
Economic liberty	153,805	153,942
Strategic research	341,200	3,559
Communications	18,359	43,387
Property rights	131,257	20,000
Litigation support	32,070	129,439
Technology	-	150,000
IJ Clinic on Entrepreneurship support	35,000	35,000
Fines and Fees and Collateral Consequences	17,003	94,401
	1,752,837	1,890,029
Time:		
General support	1,397,846	2,117,090
Endowment (accumulation)	15,599	36,098
	1,413,445	2,153,188
Total purpose and time restricted net assets	3,166,282	4,043,217
Perpetual - endowment	100,000	100,000
Total net assets with donor restrictions	$ 3,266,282	$ 4,143,217

Note 9 - Endowment

The Institute's endowment, established in 2015, includes only donor-restricted endowment funds (an “Endowment”) and is included with investments - undesignated in the statements of financial position. As of June 30, 2022, the Institute has received only one Endowment.

The Institute's Board of Directors interprets the State Prudent Management of Institutional Funds Act ("SPMIFA") to require the Institute to preserve the fair value of the original gift as of the gift date unless the donor consents otherwise. As a result, the Institute classifies the original value of its Endowment as restricted in perpetuity and any accumulations to it as time restricted within net assets with donor restrictions.

The Endowment is invested, and annual returns may vary. As a result, the fair value of the assets associated with the Endowment may fall below the level that the donor or SPMIFA requires the Institute to retain as a fund of perpetual duration. There were no deficiencies reported in net assets with donor restrictions for the years ended June 30, 2022 and 2021.

The following is a summary of the changes in donor-restricted endowment funds for the years ended June 30:

	Total
Endowment net assets, June 30, 2020	$ 116,692
Contributions	-
Investment income	21,151
Appropriation for expenditure	(1,745)
Endowment net assets, June 30, 2021	136,098
Contributions	-
Investment loss	(16,902)
Appropriation for expenditure	(3,597)
Endowment net assets, June 30, 2022	$ 115,599

Note 10 - Retirement plans

The Institute sponsors a 401(k) plan (the "Plan") for all employees with three months of service, subject to minimum hours of service and age limitations. The Plan provides for employee voluntary contributions, discretionary employer matching contributions, employer safe harbor and discretionary profit-sharing contributions. For each of the years ended June 30, 2022 and 2021, the Institute made a matching contribution equal to 100% of employee contributions up to 4% of compensation, a safe harbor contribution of 3% of participant compensation, as well as a discretionary profit-sharing contribution. Vesting in the discretionary matching and profit-sharing contributions made by the Institute is based on years of service with full vesting after five years.

Retirement expense incurred for the 401(k) plan totaled $1,769,241 and $1,549,222 for the years ended June 30, 2022 and 2021, respectively.

Note 11 - Commitments and contingencies

The Institute leases its offices under operating leases with expiration dates ranging from May 2023 through April 2037, including an amendment executed in November 2022. These leases call for monthly rent plus the Institute's share of operating expenses. Rent payments are recognized as expenses on a straight-line basis over the term of the applicable lease, and a deferred rent liability is recorded for timing differences associated with bargain rents as well as a deferred lease incentive for a tenant improvement allowance provided by the landlord. At June 30, 2022 and 2021, deferred rent totaled $1,488,626 and $1,633,207, respectively, and lease incentives totaled $941,668 and $1,136,495, respectively.

The total future minimum lease commitments under these lease agreements are as follows:

June 30,	Amount
2023	$ 2,687,300
2024	1,436,700
2025	259,600
2026	2,835,000
2027	2,861,300
Thereafter	31,432,100
Total	$ 41,512,000

Rental expense under all operating leases for the years ended June 30, 2022 and 2021 was $2,467,552 and $2,344,312, respectively.

The Institute entered into capital leases to finance certain equipment over three to five years. The asset and related liability under these capital leases are recorded at the present value of the minimum lease payments using discount rates ranging between 5.25% and 7.50%.

Future minimum lease payments under the Institute's capital leases are as follows:

June 30,	Amount
2023	$ 23,133
2024	14,542
2025	2,340
2026	2,068
Total minimum lease payments	42,083
Amount representing interest	(6,652)
Present value of minimum lease payments	$ 35,431

Note 12 - Fair value measurements

The Institute has determined the fair value of certain assets and liabilities through the application of FASB ASC Topic 820, *Fair Value Measurement*. FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and provide the highest quality inputs; Level 2 inputs are based primarily on significant other observable inputs, such as quoted prices for identical assets in inactive markets or quoted prices for similar assets in active or inactive markets and provide reasonable inputs; Level 3 inputs provide the lowest quality inputs because there are no significant observable inputs. The Institute uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Institute measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

There have been no changes in the valuation methodologies used during the current year. All assets have been valued using a market approach.

In accordance with Accounting Standards Update 2015-07, investments that are measured at fair value using NAV as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Note 12 - Fair value measurements (continued)

Fair values of assets and liabilities measured on a recurring basis at June 30, 2022 and 2021 are as follows:

		Fair value measurements at reporting date using:			
	Fair value	Net asset value	Quoted prices in active markets for identical assets/liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
June 30, 2022					
Assets					
Money market funds	$ 7,744,262	$ -	$ 7,744,262	$ -	$ -
Mutual funds:					
International equity	20,774,334	-	20,774,334	-	-
Domestic equity	9,198,615	-	9,198,615	-	-
Fixed income	44,867,130	-	44,867,130	-	-
Exchange traded funds:					
International equity	3,137,880	-	3,137,880	-	-
Domestic equity	3,382,777	-	3,382,777	-	-
Commodities	17,509,147	-	17,509,147	-	-
Bonds	426,825	-	426,825	-	-
Alternative investments	3,667,641	3,667,641	-	-	-
Total investments	$ 110,708,611	$ 3,667,641	$ 107,040,970	$ -	$ -
Liabilities					
Beneficial interests payable	$ 612,868	$ -	$ -	$ 612,868	$ -
June 30, 2021					
Assets					
Money market funds	$ 8,660,671	$ -	$ 8,660,671	$ -	$ -
Mutual funds:					
International equity	22,830,824	-	22,830,824	-	-
Domestic equity	11,753,366	-	11,753,366	-	-
Fixed income	44,014,022	-	44,014,022	-	-
Exchange traded funds:					
International equity	3,781,413	-	3,781,413	-	-
Domestic equity	3,694,321	-	3,694,321	-	-
Commodities	11,036,242	-	11,036,242	-	-
Bonds	432,357	-	432,357	-	-
Alternative investments	6,550,531	6,550,531	-	-	-
Total investments	$ 112,753,747	$ 6,550,531	$ 106,203,216	$ -	$ -
Liabilities					
Beneficial interests payable	$ 537,836	$ -	$ -	$ 537,836	$ -

Note 13 - COVID-19 global pandemic

In early 2020, an outbreak of the novel strain of coronavirus ("COVID-19") emerged globally. As of June 30, 2022, the pandemic has not had a negative effect on the Institute's financial condition, results of operations, or cash flows, and the financial statements do not include any adjustments to account for the pandemic. The ultimate impact of COVID-19 on the Institute, however, cannot be reasonably estimated at this time, as the duration of the pandemic and the consequences of related government mandates remains uncertain. The Institute has neither applied for nor received any federal, state, or local grants or loans, regardless of whether related to the pandemic.

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