

Institute for Justice
Financial Statements
and Independent Auditor's Report
June 30, 2024 and 2023

Institute for Justice

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Independent Auditor's Report

To the Board of Directors
Institute for Justice
Arlington, VA

Opinion

We have audited the financial statements of the Institute for Justice, which comprise the statements of financial position as of June 30, 2024 and 2023, 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 for Justice as of June 30, 2024 and 2023, 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 for Justice 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 for Justice'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 for Justice'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 for Justice'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 13, 2024

Institute for Justice
Statements of Financial Position
June 30, 2024 and 2023

Assets

	2024	2023
Cash and cash equivalents	\$ 3,759,935	\$ 2,337,527
Pledges receivable, net of present value discount and allowances	247,500	1,435,000
Other receivables	38,103	1,085,748
Prepaid expenses and deposits	239,281	505,682
Investments - litigation and contingency reserve	94,881,812	84,670,780
Investments - undesignated	33,563,301	28,131,690
Operating lease right-of-use assets	23,384,682	23,342,659
Property and equipment, net of accumulated depreciation and amortization	7,604,481	3,081,363
 Total assets	 \$ 163,719,095	 \$ 144,590,449

Liabilities and Net Assets

Accounts payable	\$ 843,665	\$ 1,065,866
Accrued liabilities	3,441,226	3,182,934
Operating lease liabilities, net of present value discount	32,168,350	25,670,618
Refundable advances	7,397	249,108
 Total liabilities	 36,460,638	 30,168,526
 Net assets		
Without donor restrictions		
Undesignated	29,499,930	26,381,124
Board-designated litigation and contingency reserve	94,881,812	84,670,780
 Total without donor restrictions	 124,381,742	 111,051,904
With donor restrictions	2,876,715	3,370,019
 Total net assets	 127,258,457	 114,421,923
 Total liabilities and net assets	 \$ 163,719,095	 \$ 144,590,449

See Notes to Financial Statements.

Institute for Justice

**Statement of Activities and Change in Net Assets
Year Ended June 30, 2024**

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Contributions and grants	\$ 41,526,460	\$ 3,159,661	\$ 44,686,121
Attorney fees	614,834	-	614,834
Other income	72,635	-	72,635
Net assets released from restrictions - satisfaction of program and time restrictions	3,664,880	(3,664,880)	-
Total support and revenue	45,878,809	(505,219)	45,373,590
Expenses			
Program services	37,041,307	-	37,041,307
Management	4,042,148	-	4,042,148
Development/fundraising	3,299,815	-	3,299,815
Total expenses	44,383,270	-	44,383,270
Change in net assets before non-operating activities	1,495,539	(505,219)	990,320
Non-operating activities			
Investment income - litigation and contingency reserve	10,211,044	-	10,211,044
Investment income - undesignated	1,623,255	11,915	1,635,170
Total non-operating activities	11,834,299	11,915	11,846,214
Change in net assets	13,329,838	(493,304)	12,836,534
Net assets, beginning of year	111,051,904	3,370,019	114,421,923
Net assets, end of year	\$ 124,381,742	\$ 2,876,715	\$ 127,258,457

See Notes to Financial Statements.

Institute for Justice

**Statement of Activities and Change in Net Assets
Year Ended June 30, 2023**

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Contributions and grants	\$ 30,216,442	\$ 3,899,770	\$ 34,116,212
Attorney fees	1,291,822	-	1,291,822
Other income	50,722	-	50,722
Net assets released from restrictions - satisfaction of program and time restrictions	3,803,320	(3,803,320)	-
Total support and revenue	35,362,306	96,450	35,458,756
Expenses			
Program services	31,393,948	-	31,393,948
Management	3,655,801	-	3,655,801
Development/fundraising	2,811,974	-	2,811,974
Total expenses	37,861,723	-	37,861,723
Change in net assets before non-operating activities	(2,499,417)	96,450	(2,402,967)
Non-operating activities			
Investment income - litigation and contingency reserve	4,728,614	-	4,728,614
Investment income - undesignated	271,749	7,287	279,036
Total non-operating activities	5,000,363	7,287	5,007,650
Change in net assets	2,500,946	103,737	2,604,683
Net assets, beginning of year	108,550,958	3,266,282	111,817,240
Net assets, end of year	\$ 111,051,904	\$ 3,370,019	\$ 114,421,923

See Notes to Financial Statements.

Institute for Justice

**Statement of Functional Expenses
Year Ended June 30, 2024**

	Program services	Management	Development/ fundraising	Total
Salary and benefits	\$ 24,851,316	\$ 3,079,733	\$ 2,444,795	\$ 30,375,844
Advertising	75,991	775	3,934	80,700
Accounting and corporate legal	93,484	147,133	1,061	241,678
Depreciation and amortization	1,119,988	136,270	110,169	1,366,427
Events	983,979	4,703	-	988,682
In-kind expenses	107,834	10,001	-	117,835
Insurance	90,304	98,640	-	188,944
Information technology	900,482	135,008	121,135	1,156,625
Occupancy	2,853,929	(139,733)	280,366	2,994,562
Operations	1,606,595	260,164	10,128	1,876,887
Postage	182,205	9,568	53,330	245,103
Printing	315,230	1,319	101,986	418,535
Professional services	2,120,351	67,798	112,000	2,300,149
Research tools and materials	519,751	24,893	32,725	577,369
Supplies	43,613	97,058	2,867	143,538
Telecommunications	27,787	62,908	-	90,695
Travel	1,148,468	45,910	25,319	1,219,697
Total expenses	\$ 37,041,307	\$ 4,042,148	\$ 3,299,815	\$ 44,383,270

See Notes to Financial Statements.

Institute for Justice

**Statement of Functional Expenses
Year Ended June 30, 2023**

	Program services	Management	Development/ fundraising	Total
Salary and benefits	\$ 22,728,702	\$ 2,789,617	\$ 2,096,224	\$ 27,614,543
Advertising	68,803	251	4,189	73,243
Accounting and corporate legal	86,779	123,537	-	210,316
Depreciation and amortization	737,923	89,348	68,042	895,313
Events	337,096	5,841	850	343,787
In-kind expenses	128,118	-	-	128,118
Insurance	88,390	92,211	-	180,601
Information technology	777,118	13,630	108,673	899,421
Occupancy	2,386,442	133,717	219,807	2,739,966
Operations	261,547	238,150	11,242	510,939
Postage	179,486	5,349	47,061	231,896
Printing	349,951	2,086	91,062	443,099
Professional services	1,783,647	43,545	107,741	1,934,933
Research tools and materials	443,664	23,012	31,953	498,629
Supplies	100,664	17,803	6,443	124,910
Telecommunications	29,725	66,798	-	96,523
Travel	905,893	10,906	18,687	935,486
Total expenses	\$ 31,393,948	\$ 3,655,801	\$ 2,811,974	\$ 37,861,723

See Notes to Financial Statements.

Institute for Justice

Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ 12,836,534	\$ 2,604,683
Reconciling adjustments:		
Depreciation and amortization	1,366,427	895,313
Change in allowance for uncollectible pledges	(7,339)	(2,197)
Amortization of discount on pledges receivable	(10,161)	(770)
Amortization of operating lease right-of-use assets	1,538,707	1,745,172
Loss on disposal of property and equipment	1,127	536
Unrealized/realized gains on investments	(8,391,767)	(2,431,698)
Changes in operating assets and liabilities:		
Pledges receivable	1,205,000	(240,500)
Other receivables	1,047,645	(1,028,856)
Prepaid expenses and deposits	266,401	(108,804)
Accounts payable	(222,201)	384,902
Accrued liabilities	258,292	368,880
Operating lease liabilities	4,917,002	(1,620,487)
Refundable advances	(241,711)	(227,429)
Net cash provided by operating activities	14,563,956	338,745
Cash flows from investing activities		
Purchases of property and equipment	(5,890,672)	(857,503)
Purchases of investments	(23,135,042)	(7,181,069)
Proceeds from sales of investments	15,884,166	7,518,908
Net cash used in investing activities	(13,141,548)	(519,664)
Net increase (decrease) in cash and cash equivalents	1,422,408	(180,919)
Cash and cash equivalents, beginning of year	2,337,527	2,518,446
Cash and cash equivalents, end of year	\$ 3,759,935	\$ 2,337,527
Supplemental disclosure of cash flow information		
Interest paid	\$ 1,297	\$ 4,429
Noncash investing activity		
Operating lease right-of-use assets obtained in exchange for lease obligations	\$ 1,580,730	\$ 15,824,519

See Notes to Financial Statements.

Institute for Justice
Notes to Financial Statements
June 30, 2024 and 2023

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, 2024 was approximately \$10,000.

Pledges and accounts receivable

Unconditional promises to give from donors are recorded as pledges receivable when the promises are 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 net amount expected to be collected as of the statements of financial position date based on the credit losses expected to arise over the life of the receivable. 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, 2024 and 2023, the allowance for doubtful accounts was \$2,500 and \$9,839, respectively.

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Notes to Financial Statements June 30, 2024 and 2023

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 in the statements of activities and change in net assets. Investment income is classified as an increase in net assets without donor restrictions unless its use is restricted by explicit donor stipulations or law.

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.

Leases

Upon commencement of an operating lease with an initial term longer than 12 months, the Institute recognizes a right-of-use asset and corresponding lease liability. The Institute determines those amounts based on the present value of lease payments using a risk-free rate as the discount rate adjusted for any landlord concessions over the term of the lease, dependent on factors such as the terms of the lease and the likelihood of the Institute's utilization of the allowance. The use of landlord concessions, in particular tenant improvement allowances that were not paid or payable at the lease commencement date, increases the lease liability, when the Institute in fact receives any such payments from the landlord.

The Institute also has various office equipment leases that are not considered material to the Institute's overall financial statements. Rental payments for these equipment leases are recorded as part of information technology.

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. At June 30, 2024 and 2023, the Institute held \$7,397 and \$249,108, respectively, in refundable advances. 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.

Institute for Justice
Notes to Financial Statements
June 30, 2024 and 2023

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.

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, 2024 and 2023 was \$94,881,812 and \$84,670,780, respectively.

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. Noncash goods and services totaled \$117,835 and \$128,118, respectively, for the years ended June 30, 2024 and 2023.

Institute for Justice
Notes to Financial Statements
June 30, 2024 and 2023

Note 2 - Summary of significant accounting policies (continued)

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, depreciation, occupancy and information technology on the basis of time and effort. During the year ending June 30, 2024, the Institute renovated all five of its leased spaces, including a significant expansion and renovation of its main Arlington office. The allocation of related costs, including salary and fringe benefits of personnel in lease- and renovation-related roles, resulted in the Institute showing a negative expense for management-related occupancy for the year ended June 30, 2024.

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, 2024 and 2023.

Management has determined there are no uncertain tax positions that are material to the financial statements for the years ended June 30, 2024 and 2023. 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, 2024 and 2023. Tax years prior to 2020 are no longer subject to examination by the Internal Revenue Service ("IRS") or the tax jurisdiction of the District of Columbia.

New accounting pronouncement adopted

Effective July 1, 2023, the Institute adopted Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-13, Measurement of Credit Losses on Financial Instruments, along with its related amendments. The standard changes how the Institute recognizes credit losses on assets measured at amortized cost, as well as on certain other financial instruments, including trade receivables. Previously, the Institute used the incurred loss model, and under the new standard, the Institute must recognize such losses over the life of the instrument, considering not only historical information but also current and future economic conditions and events. Pledge receivables from contributions are excluded from the scope of the revised standard, and the adoption of the new standard does not have a material effect on the financial statements.

Subsequent events

The Institute has evaluated events and transactions for potential recognition or disclosure through December 13, 2024, the date the financial statements were available to be issued.

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**Notes to Financial Statements
June 30, 2024 and 2023**

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, 2024 and 2023, 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,	
	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 3,759,935	\$ 2,337,527
Pledges receivables, net	247,500	1,435,000
Other receivables	38,103	1,085,748
Investments	128,445,113	112,802,470
	132,490,651	117,660,745
Less assets unavailable for general expenditure within one year:		
Endowment funds	(122,118)	(117,893)
Investments - litigation and contingency reserve	(90,146,285)	(80,321,990)
Beneficial interest agreement funds	(924,319)	(775,639)
Net assets with donor restrictions for use in future periods	(1,138,228)	(1,274,404)
Financial assets available to meet cash needs for general expenditures within one year:	\$ 40,159,701	\$ 35,170,819

Institute for Justice
Notes to Financial Statements
June 30, 2024 and 2023

Note 4 - Investments

Investments consist of the following at June 30:

	June 30, 2024		
	Litigation and contingency reserve	Undesignated	Total
Money market funds	\$ -	\$ 12,478,657	\$ 12,478,657
Mutual funds:			
International equity	23,104,828	5,851	23,110,679
Domestic equity	11,618,845	49,324	11,668,169
Fixed income	36,676,950	20,424,933	57,101,883
Exchange-traded funds:			
International equity	4,032,134	-	4,032,134
Domestic equity	3,771,963	-	3,771,963
Commodities	15,677,092	-	15,677,092
Fixed Income	-	604,536	604,536
Total investments	\$ 94,881,812	\$ 33,563,301	\$ 128,445,113
	June 30, 2023		
	Litigation and contingency reserve	Undesignated	Total
Money market funds	\$ -	\$ 8,753,881	\$ 8,753,881
Mutual funds:			
International equity	25,264,551	7,012	25,271,563
Domestic equity	11,174,602	53,093	11,227,695
Fixed income	25,090,140	18,803,440	43,893,580
Exchange-traded funds:			
International equity	3,904,322	-	3,904,322
Domestic equity	3,998,547	-	3,998,547
Commodities	15,238,618	-	15,238,618
Fixed Income	-	514,264	514,264
Total investments	\$ 84,670,780	\$ 28,131,690	\$ 112,802,470

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

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**Notes to Financial Statements
June 30, 2024 and 2023**

Note 4 - Investments (continued)

Investment income for the years ended June 30, 2024 and 2023 consists of the following:

	June 30, 2024		
	Litigation and contingency reserve	Undesignated	Total
Interest and dividend income	\$ 2,139,477	\$ 1,314,970	\$ 3,454,447
Net unrealized/realized gain	8,071,567	320,200	8,391,767
Investment income	\$ 10,211,044	\$ 1,635,170	\$ 11,846,214
	June 30, 2023		
	Litigation and contingency reserve	Undesignated	Total
Interest and dividend income	\$ 1,899,773	\$ 676,179	\$ 2,575,952
Net unrealized/realized gain (loss)	2,828,841	(397,143)	2,431,698
Investment income	\$ 4,728,614	\$ 279,036	\$ 5,007,650

The Institute classifies all interest and dividend income as investment income 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 2024 and 2023 ranged from 2.24% to 4.91%. The outstanding pledges, net of discount and provision for uncollectible pledges, consist of the following at June 30:

	2024	2023
Operating support	\$ -	\$ 822,684
School choice	247,500	483,416
Economic liberty	-	108,900
IJ clinic	-	20,000
Total pledges receivable, net	\$ 247,500	\$ 1,435,000

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Notes to Financial Statements
June 30, 2024 and 2023

Note 5 - Pledges receivable (continued)

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

	2024	2023
Receivable in less than one year	\$ 250,000	\$ 1,205,000
Receivable in one to five years	-	250,000
Total pledges receivable	250,000	1,455,000
Less: Discount to net present value	-	(10,161)
Less: Allowance for doubtful accounts	(2,500)	(9,839)
Pledges receivable, net	\$ 247,500	\$ 1,435,000

Note 6 - Property and equipment

Property and equipment consists of the following at June 30:

	2024	2023
Furniture and equipment	\$ 3,682,328	\$ 2,490,485
Computers and software	951,713	916,949
Leasehold improvements	9,621,282	5,067,243
Construction in progress	82,707	684,680
Total property and equipment	14,338,030	9,159,357
Less: Accumulated depreciation and amortization	(6,733,549)	(6,077,994)
Property and equipment, net	\$ 7,604,481	\$ 3,081,363

Depreciation and amortization expense for the years ended June 30, 2024 and 2023 was \$1,366,427 and \$895,313, respectively, which has been recorded as depreciation and amortization in the accompanying statements of functional expenses.

Institute for Justice

**Notes to Financial Statements
June 30, 2024 and 2023**

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, 2024 and 2023, the total assets, at fair value, of such beneficial interest agreements were \$924,319 and \$775,639, 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, 2024 and 2023 was \$732,518 and \$643,684, respectively. The actuarial present value was computed using interest rates ranging between 0.4% and 5.8% for the years ended June 30, 2024 and 2023.

Note 8 - Net assets with donor restrictions

As of June 30, 2024 and 2023, net assets with donor restrictions are restricted because they are either subject to expenditure for specified purposes and/or time, or restricted in perpetuity:

	June 30,	
	2024	2023
Purpose and Time:		
Fellowship	\$ 960,602	\$ 975,749
School choice	250,000	489,839
Strategic research	445,790	263,336
Property rights	126,997	106,206
Litigation support	-	645
Outreach and education	-	25,000
IJ Clinic on Entrepreneurship support	-	35,000
Fines and Fees and Collateral Consequences	463,708	206,351
	2,247,097	2,102,126
Time:		
General support	507,500	1,150,000
Endowment (accumulation)	22,118	17,893
	529,618	1,167,893
Total purpose and time restricted net assets	2,776,715	3,270,019
Perpetual - endowment	100,000	100,000
Total net assets with donor restrictions	\$ 2,876,715	\$ 3,370,019

Institute for Justice
Notes to Financial Statements
June 30, 2024 and 2023

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, 2024, 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, 2024 and 2023.

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, 2022	\$ 115,599
Contributions	-
Investment income	7,287
Appropriation for expenditure	(4,993)
Endowment net assets, June 30, 2023	117,893
Contributions	-
Investment income	8,875
Appropriation for expenditure	(4,650)
Endowment net assets, June 30, 2024	\$ 122,118

Note 10 - Retirement plan

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, 2024 and 2023, 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 \$2,264,941 and \$2,000,169 for the years ended June 30, 2024 and 2023, respectively.

Institute for Justice
Notes to Financial Statements
June 30, 2024 and 2023

Note 11 - Leases

The Institute rents office space in Virginia, Arizona, Florida, Texas, and Washington under leases that expire between February 2027 and April 2037, two of which were amended during the year ended June 30, 2024, resulting in operating lease right-of-use assets and operating lease liabilities of \$1,580,730. The leases all require the Institute to pay rent as well as a share of building operating expenses and taxes but otherwise vary in their terms and conditions. Some leases include landlord concessions such as tenant improvement allowances, the unused portion of those allowance as of June 30, 2024 and 2023 was \$222,673 and \$4,860,539, respectively.

Total future minimum lease commitments (base rents) under the lease agreements are as follows:

Year ending June 30,		
2025	\$	492,333
2026		3,330,130
2027		3,376,891
2028		3,388,712
2029		3,459,928
Thereafter		28,111,831
Subtotal		42,159,825
Less lease incentive allowance usage		(222,673)
Less imputed interest		(9,768,802)
Present value of net minimum lease payments	\$	32,168,350
Other lease information:		
Cash paid for amounts included in the measurement of lease obligations	\$	1,386,969
Operating leases' weighted-average annual discount rate		4.03%
Weighted-average remaining lease term (years)		13.1

Rental expense under all operating leases for the years ended June 30, 2024 and 2023 was \$2,994,562 and \$2,739,966, respectively, which has been recorded as occupancy in the accompanying statements of functional expenses.

Institute for Justice

**Notes to Financial Statements
June 30, 2024 and 2023**

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.

Institute for Justice

**Notes to Financial Statements
June 30, 2024 and 2023**

Note 12 - Fair value measurements (continued)

Fair values of assets and liabilities measured annually are as follows at June 30, 2024 and 2023:

	Fair value	Quoted prices in active markets for identical assets/liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>June 30, 2024</u>				
<u>Assets</u>				
Money market funds	\$ 12,478,657	\$ 12,478,657	\$ -	\$ -
Mutual funds:				
International equity	23,110,679	23,110,679	-	-
Domestic equity	11,668,169	11,668,169	-	-
Fixed income	57,101,883	57,101,883	-	-
Exchange traded funds:				
International equity	4,032,134	4,032,134	-	-
Domestic equity	3,771,963	3,771,963	-	-
Commodities	15,677,092	15,677,092	-	-
Fixed income	604,536	604,536	-	-
Total investments	<u>\$ 128,445,113</u>	<u>\$ 128,445,113</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Liabilities</u>				
Beneficial interests payable	<u>\$ 732,518</u>	<u>\$ -</u>	<u>\$ 732,518</u>	<u>\$ -</u>
<u>June 30, 2023</u>				
<u>Assets</u>				
Money market funds	\$ 8,753,881	\$ 8,753,881	\$ -	\$ -
Mutual funds:				
International equity	25,271,563	25,271,563	-	-
Domestic equity	11,227,695	11,227,695	-	-
Fixed income	43,893,580	43,893,580	-	-
Exchange traded funds:				
International equity	3,904,322	3,904,322	-	-
Domestic equity	3,998,547	3,998,547	-	-
Commodities	15,238,618	15,238,618	-	-
Fixed income	514,264	514,264	-	-
Total investments	<u>\$ 112,802,470</u>	<u>\$ 112,802,470</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Liabilities</u>				
Beneficial interests payable	<u>\$ 643,684</u>	<u>\$ -</u>	<u>\$ 643,684</u>	<u>\$ -</u>



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