

Institute for Justice

Financial Statements
Years Ended June 30, 2025 and 2024

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



Institute for Justice

Financial Statements
Years Ended June 30, 2025 and 2024

Institute for Justice

Contents

Independent Auditor's Report	3-4
Financial Statements	
Statements of Financial Position	5
Statements of Activities	6-7
Statements of Functional Expenses	8-9
Statements of Cash Flows	10
Notes to Financial Statements	11-22



Tel: 301-354-2500
Fax: 301-354-2501
www.bdo.com

12505 Park Potomac Ave, Suite 700
Potomac, MD 20854

Independent Auditor's Report

To the Board of Directors
Institute for Justice
Arlington, Virginia

Opinion

We have audited the financial statements of the Institute for Justice (the Institute), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying 2025 financial statements present fairly, in all material respects, the financial position of the Institute as of June 30, 2025, and the change 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.

Basis for Opinion

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

Other Matter

The 2024 financial statements of the Institute were audited by other auditors, whose report dated December 13, 2024 expressed an unmodified opinion on those statements.

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 within one year after the date that the financial statements are available to be 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.

BDO USA, P.C.

November 25, 2025

Financial Statements

Institute for Justice
Statements of Financial Position

<i>June 30,</i>	2025	2024
Assets		
Cash and cash equivalents	\$ 3,464,309	\$ 3,759,935
Pledges receivable, net of present value discount and allowances	2,394,148	247,500
Other receivables	56,455	38,103
Prepaid expenses and deposits	540,506	239,281
Investments - litigation and contingency reserve	105,804,834	94,881,812
Investments - undesignated	37,723,335	33,563,301
Operating lease right-of-use assets	21,872,225	23,384,682
Property and equipment, net of accumulated depreciation and amortization	6,170,351	7,604,481
Total assets	\$ 178,026,163	\$ 163,719,095
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 881,610	\$ 843,665
Accrued liabilities	3,959,389	3,441,226
Operating lease liabilities, net of present value discount	32,875,951	32,168,350
Refundable advances	-	7,397
Total liabilities	37,716,950	36,460,638
Commitments and contingencies		
Net assets		
Without donor restrictions		
Undesignated	29,971,802	29,499,930
Board-designated litigation and contingency reserve	105,804,834	94,881,812
Total without donor restrictions	135,776,636	124,381,742
With donor restrictions	4,532,577	2,876,715
Total net assets	140,309,213	127,258,457
Total liabilities and net assets	\$ 178,026,163	\$ 163,719,095

See accompanying notes to financial statements.

Institute for Justice

Statement of Activities

<i>Year ended June 30, 2025</i>	Without Donor Restriction	With Donor Restriction	Total
Support and revenue			
Contributions and grants	\$ 40,839,993	\$ 5,207,536	\$ 46,047,529
Attorney fees	1,604,882	-	1,604,882
Other income	32,661	-	32,661
Net assets released from restrictions - satisfaction of program and time restrictions	3,564,722	(3,564,722)	-
Total support and revenue	46,042,258	1,642,814	47,685,072
Expenses			
Program services	38,770,142	-	38,770,142
Supporting services			
Management and general	4,681,107	-	4,681,107
Development/fundraising	4,202,755	-	4,202,755
Total supporting services	8,883,862	-	8,883,862
Total expenses	47,654,004	-	47,654,004
Change in net assets from operations	(1,611,746)	1,642,814	31,068
Nonoperating activities			
Investment return, net - litigation and contingency reserve	10,923,022	-	10,923,022
Investment return, net - undesignated	2,083,618	13,048	2,096,666
Total nonoperating activities	13,006,640	13,048	13,019,688
Change in net assets	11,394,894	1,655,862	13,050,756
Net assets, beginning of year	124,381,742	2,876,715	127,258,457
Net assets, end of year	\$ 135,776,636	\$ 4,532,577	\$ 140,309,213

See accompanying notes to financial statements.

Institute for Justice

Statement of Activities

<i>Year ended June 30, 2024</i>	Without Donor Restriction	With Donor Restriction	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
Supporting services			
Management and general	4,042,148	-	4,042,148
Development/fundraising	3,299,815	-	3,299,815
Total supporting services	7,341,963	-	7,341,963
Total expenses	44,383,270	-	44,383,270
Change in net assets from operations	1,495,539	(505,219)	990,320
Nonoperating activities			
Investment return, net - litigation and contingency reserve	10,211,044	-	10,211,044
Investment return, net - undesignated	1,623,255	11,915	1,635,170
Total nonoperating 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 accompanying notes to financial statements.

Institute for Justice

Statement of Functional Expenses

Year ended June 30, 2025

	Program services	Management and general	Development/ fundraising	Total supporting services	Total
Salary and benefits	\$ 27,627,665	\$ 3,334,344	\$ 2,814,247	\$ 6,148,591	\$ 33,776,256
Accounting and corporate legal	89,177	111,053	229	111,282	200,459
Advertising	91,572	625	7,242	7,867	99,439
Depreciation and amortization	1,425,655	169,158	145,301	314,459	1,740,114
Events	371,020	32,561	1,195	33,756	404,776
In-kind expenses	74,771	-	15	15	74,786
Information technology	957,931	173,535	130,273	303,808	1,261,739
Insurance	93,974	102,405	-	102,405	196,379
Occupancy	2,674,551	72,225	272,133	344,358	3,018,909
Operations	340,549	325,358	34,815	360,173	700,722
Postage	201,879	5,809	234,758	240,567	442,446
Printing	396,118	9,805	216,406	226,211	622,329
Professional services	2,481,634	127,715	294,283	421,998	2,903,632
Research tools and materials	652,016	27,052	18,970	46,022	698,038
Supplies	66,796	115,315	7,548	122,863	189,659
Telecommunications	31,405	61,749	-	61,749	93,154
Travel	1,193,429	12,398	25,340	37,738	1,231,167
Total expenses	\$ 38,770,142	\$ 4,681,107	\$ 4,202,755	\$ 8,883,862	\$ 47,654,004

See accompanying notes to financial statements.

Institute for Justice

Statement of Functional Expenses

Year ended June 30, 2024

	Program services	Management and general	Development/ fundraising	Total supporting services	Total
Salary and benefits	\$ 24,851,316	\$ 3,079,733	\$ 2,444,795	\$ 5,524,528	\$ 30,375,844
Accounting and corporate legal	93,484	147,133	1,061	148,194	241,678
Advertising	75,991	775	3,934	4,709	80,700
Depreciation and amortization	1,119,988	136,270	110,169	246,439	1,366,427
Events	983,979	4,703	-	4,703	988,682
In-kind expenses	107,834	10,001	-	10,001	117,835
Information technology	900,482	135,008	121,135	256,143	1,156,625
Insurance	90,304	98,640	-	98,640	188,944
Occupancy	2,853,929	(139,733)	280,366	140,633	2,994,562
Operations	1,606,595	260,164	10,128	270,292	1,876,887
Postage	182,205	9,568	53,330	62,898	245,103
Printing	315,230	1,319	101,986	103,305	418,535
Professional services	2,120,351	67,798	112,000	179,798	2,300,149
Research tools and materials	519,751	24,893	32,725	57,618	577,369
Supplies	43,613	97,058	2,867	99,925	143,538
Telecommunications	27,787	62,908	-	62,908	90,695
Travel	1,148,468	45,910	25,319	71,229	1,219,697
Total expenses	\$ 37,041,307	\$ 4,042,148	\$ 3,299,815	\$ 7,341,963	\$ 44,383,270

See accompanying notes to financial statements.

Institute for Justice
Statements of Cash Flows

<i>Years ended June 30,</i>	2025	2024
Cash flows from operating activities		
Change in net assets	\$ 13,050,756	\$ 12,836,534
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,740,114	1,366,427
Change in allowance for uncollectible pledges	13,734	(7,339)
Change in pledges receivable discount	21,618	(10,161)
Noncash lease expense	1,512,457	1,538,707
Loss on disposal of property and equipment	7,376	1,127
Unrealized/realized gains on investments	(8,993,115)	(8,391,767)
(Increase) decrease in assets		
Pledges receivable	(2,182,000)	1,205,000
Other receivables	(18,352)	1,047,645
Prepaid expenses and deposits	(301,225)	266,401
Increase (decrease) in liabilities		
Accounts payable	37,945	(222,201)
Accrued liabilities	518,163	258,292
Operating lease liabilities	707,601	4,917,002
Refundable advances	(7,397)	(241,711)
Net cash provided by operating activities	6,107,675	14,563,956
Cash flows from investing activities		
Purchases of property and equipment	(313,360)	(5,890,672)
Purchases of investments	(23,158,167)	(23,135,042)
Proceeds from sales of investments	17,068,226	15,884,166
Net cash used in investing activities	(6,403,301)	(13,141,548)
Net (decrease) increase in cash and cash equivalents	(295,626)	1,422,408
Cash and cash equivalents, beginning of year	3,759,935	2,337,527
Cash and cash equivalents, end of year	\$ 3,464,309	\$ 3,759,935
Supplemental disclosure of cash flow information		
Interest paid	\$ 548	\$ 1,297
Noncash investing activity		
Operating lease right-of-use assets obtained in exchange for lease obligations	\$ -	\$ 1,580,730

See accompanying notes to financial statements.

Institute for Justice

Notes to Financial Statements

1. Organization

The Institute for Justice (the Institute) was incorporated in Washington, D.C. 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 federal government.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Institute prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Under this method, revenues are recognized when earned and expenses are recognized when incurred.

Estimates

Management uses estimates and assumptions in preparing these financial statements in conformity with U.S. GAAP. 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, 2025 and 2024 was approximately \$46,000 and \$10,000, respectively.

Pledges and Accounts Receivables

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.

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, 2025 and 2024, the allowance for doubtful accounts was \$16,234 and \$2,500, respectively.

Institute for Justice

Notes to Financial Statements

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 return in the statements of activities. Investment return 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 \$5,000 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

The Institute assesses contracts at inception to determine whether an arrangement is or includes a lease, which conveys the Institute's right to control the use of an identified asset for a period of time in exchange for consideration. 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. As a matter of policy, the Institute has elected to exclude leases with terms of 12 months or less from the statements of financial position. Lease expense for short term leases is recognized on a straight-line basis over the expected term of the lease.

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, 2025 and 2024, the Institute held \$0 and \$7,397, respectively, in refundable advances. Upon overcoming

Institute for Justice

Notes to Financial Statements

the barrier or hurdle, the Institute recognizes the contribution revenue in contributions and grants on the statements of activities. 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.

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 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 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 Institute assets without donor restrictions as a litigation and contingency reserve, with a retroactive effective date of July 1, 2017. The board-designated litigation and contingency reserve fund allows the Institute to continue to meet 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, 2025 and 2024 was \$105,804,934 and \$94,881,812, 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 return in the statements of activities. 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 as contributions and grants, and expensed in the appropriate functional category. Noncash goods and services totaled \$74,785 and \$117,835, respectively, for the years ended June 30, 2025 and 2024.

Institute for Justice

Notes to Financial Statements

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. 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, 2025 and 2024.

Management has determined there are no uncertain tax positions that are material to the financial statements for the years ended June 30, 2025 and 2024. The Institute recognizes interest expense and penalties on income taxes related to uncertain tax positions in management expenses in the statements of activities. 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, 2025 and 2024. Tax years prior to 2021 are no longer subject to examination by the Internal Revenue Service ("IRS") or the tax jurisdiction of the District of Columbia.

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, 2025 and 2024, 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.

Institute for Justice
Notes to Financial Statements

<i>June 30,</i>	2025	2024
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,464,309	\$ 3,759,935
Pledges receivables, net	2,394,148	247,500
Other receivables	56,455	38,103
Investments	143,528,169	128,445,113
	149,443,081	132,490,651
Less assets unavailable for general expenditure within one year:		
Endowment funds	(122,893)	(122,118)
Investments - litigation and contingency reserve	(100,603,343)	(90,146,285)
Beneficial interest agreement funds	(1,337,415)	(924,319)
Net assets with donor restrictions for use in future periods	(1,549,531)	(1,138,228)
Financial assets available to meet cash needs for general expenditures within one year	\$ 45,829,899	\$ 40,159,701

4. Investments

Investments consist of the following at:

June 30, 2025

	Litigation Reserve	Undesignated	Total
Money market funds	\$ -	\$ 12,392,232	\$ 12,392,232
Mutual funds:			
International equity	20,867,415	7,022	20,874,437
Domestic equity	10,366,587	57,597	10,424,184
Fixed income	48,917,468	24,245,341	73,162,809
Exchange-traded funds:			
International equity	3,724,180	-	3,724,180
Domestic equity	3,809,139	-	3,809,139
Commodities	18,120,045	-	18,120,045
Fixed income	-	1,021,143	1,021,143
Total investments	\$ 105,804,834	\$ 37,723,335	\$ 143,528,169

Institute for Justice
Notes to Financial Statements

June 30, 2024

	Litigation 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

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

Investment return, net for the years ended June 30, 2025 and 2024 consists of the following:

June 30, 2025

	Litigation and Contingency Reserve	Undesignated	Total
Interest and dividend income	\$ 2,475,862	\$ 1,550,711	\$ 4,026,573
Net unrealized/realized gain	8,447,160	545,955	8,993,115
Investment return, net	\$ 10,923,022	\$ 2,096,666	\$ 13,019,688

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 return, net	\$ 10,211,044	\$ 1,635,170	\$ 11,846,214

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

Institute for Justice
Notes to Financial Statements

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 2025 and 2024 ranged from 0% to 6.25%. The outstanding pledges, net of discount and provision for uncollectible pledges, consist of the following:

<i>June 30,</i>	2025	2024
Operating support	\$ 787,000	\$ -
School choice	349,848	247,500
Fines, fees, and collateral consequences	1,237,500	-
IJ Clinic	19,800	-
Total pledges receivable, net	\$ 2,394,148	\$ 247,500

Pledges receivable are expected to be collected as follows:

<i>June 30,</i>	2025	2024
Receivable in less than one year	\$ 2,182,000	\$ 250,000
Receivable in one to five years	250,000	-
Total pledges receivable	2,432,000	250,000
Less: discount to net present value	(21,618)	-
Less: allowance for doubtful accounts	(16,234)	(2,500)
Pledges receivable, net	\$ 2,394,148	\$ 247,500

6. Property and Equipment

Property and equipment consists of the following at:

<i>June 30,</i>	2025	2024
Furniture and equipment	\$ 3,634,236	\$ 3,682,328
Computers and software	1,039,413	951,713
Leasehold improvements	9,613,240	9,621,282
Construction in progress	83,484	82,707
Total property and equipment	14,370,373	14,338,030
Less: accumulated depreciation and amortization	(8,200,022)	(6,733,549)
Property and equipment, net	\$ 6,170,351	\$ 7,604,481

Depreciation and amortization expense for the years ended June 30, 2025 and 2024 was \$1,740,114 and \$1,366,427, respectively, which has been recorded as depreciation and amortization in the accompanying statements of functional expenses.

Institute for Justice
Notes to Financial Statements

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, 2025 and 2024, the total assets, at fair value, of such beneficial interest agreements were \$1,337,415 and \$924,319, 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, 2025 and 2024 was \$985,977 and \$732,518, respectively. The actuarial present value was computed using interest rates ranging between 0.4% and 5.8% for the years ended June 30, 2025 and 2024.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted because they are either subject to expenditure for specified purposes and/or time, or restricted in perpetuity as follows at:

<i>June 30,</i>	2025	2024
Purpose and Time		
Fellowship	\$ 937,023	\$ 960,602
School choice	353,382	250,000
Strategic research	366,249	445,790
Property rights	141,431	126,997
Litigation support	7,718	-
Outreach and education	9,253	-
IJ Clinic on entrepreneurship support	35,000	-
Fines, fees, and collateral consequences	1,397,508	463,708
Total purpose and time	3,247,564	2,247,097
Time		
General support	1,157,000	507,500
Endowment (accumulation)	28,013	22,118
Total time	1,185,013	529,618
Total purpose and time restricted net assets	4,432,577	2,776,715
Perpetual - endowment	100,000	100,000
Total net assets with donor restrictions	\$ 4,532,577	\$ 2,876,715

Institute for Justice
Notes to Financial Statements

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, 2025, the Institute has received only one Endowment.

The Institute’s Board of Directors interprets the Washington D.C. 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, 2025 and 2024.

The Institute’s endowment net assets consist of the following as of June 30, 2025:

	Without donor restrictions	With donor restrictions	Total
Donor restricted endowment funds: Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 100,000	\$ 100,000
Accumulated investment earnings	-	28,013	28,013
Total endowment net assets	\$ -	\$ 128,013	\$ 128,013

The Institute’s endowment net assets consist of the following as of June 30, 2024:

	Without donor restrictions	With donor restrictions	Total
Donor restricted endowment funds: Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 100,000	\$ 100,000
Accumulated investment earnings	-	22,118	22,118
Total endowment net assets	\$ -	\$ 122,118	\$ 122,118

Institute for Justice
Notes to Financial Statements

The following is a summary of the changes in donor-restricted endowment funds:

Endowment net assets, June 30, 2023	\$	117,893
Investment income		8,875
Appropriation for expenditure		(4,650)
Endowment net assets, June 30, 2024		122,118
Investment income		10,796
Appropriation for expenditure		(4,901)
Endowment net assets, June 30, 2025	\$	128,013

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, 2025 and 2024, 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 \$2,457,846 and \$2,264,941 for the years ended June 30, 2025 and 2024, respectively.

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, 2025 and 2024 was \$0 and \$222,673, respectively.

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

Years ending June 30,

2026	\$	3,329,335
2027		3,377,276
2028		3,389,105
2029		3,460,330
2030		3,519,312
Thereafter		24,206,079
Subtotal		41,281,437
Less: imputed interest		(8,405,486)
Present value of net minimum lease payments	\$	32,875,951

Institute for Justice
Notes to Financial Statements

Other lease information:

<i>June 30</i>	2025	2024
Cash paid for amounts included in the measurement of lease obligations	\$ 778,634	\$ 1,386,969
Operating leases' weighted-average annual discount rate	4.03%	4.03%
Weighted-average remaining lease term (years)	11.3	13.1

Rental expense under all operating leases for the years ended June 30, 2025 and 2024 was \$3,018,909 and \$2,994,562, respectively, which has been recorded as occupancy in the accompanying statements of functional expenses.

12. Fair Value Measurements

The Institute has determined the fair value of certain assets and liabilities through the application of Financial Accounting Standards Board (FASB) Accounting Standards Codification (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

Fair values of assets and liabilities measured annually are as follows at:

June 30, 2025

	Level 1	Level 2	Level 3	Total
Assets				
Money market funds	\$ 12,392,232	\$ -	\$ -	\$ 12,392,232
Mutual funds:				
International equity	20,874,437	-	-	20,874,437
Domestic equity	10,424,184	-	-	10,424,184
Fixed income	73,162,809	-	-	73,162,809
Exchange traded funds:				
International equity	3,724,180	-	-	3,724,180
Domestic equity	3,809,139	-	-	3,809,139
Commodities	18,120,045	-	-	18,120,045
Fixed income	1,021,143	-	-	1,021,143
Total Investments	\$ 143,528,169	\$ -	\$ -	\$ 143,528,169
Liabilities				
Beneficial interests payable	\$ -	\$ 985,977	\$ -	\$ 985,977

June 30, 2024

	Level 1	Level 2	Level 3	Total
Assets				
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	\$ 128,445,113	\$ -	\$ -	\$ 128,445,113
Liabilities				
Beneficial interests payable	\$ -	\$ 732,518	\$ -	\$ 732,518

13. Subsequent Events

The Institute has evaluated its June 30, 2025 financial statements for subsequent events through November 25, 2025, the date the financial statements were available to be issued. The Institute is not aware of any subsequent events which would require recognition or disclosure in the financial statements.