INSTITUTE FOR FREE SPEECH
(a nonprofit organization)

FINANCIAL STATEMENTS

Year ended December 31, 2021
with Summarized Comparative Information
for the year ended December 31, 2020

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Renner
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Institute for Free Speech
Washington, DC

Opinion

We have audited the accompanying financial statements of Institute for Free Speech (the Institute), which comprise the statement of financial position as of December 31, 2021, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of December 31, 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.

Emphasis of Matter - Contingencies

As discussed in Note 14 to the financial statements, economic uncertainties have arisen as a result of the spread of the novel coronavirus which are likely to impact the Institute's operations. Our opinion is not modified with respect to this matter and no pandemic implications are accounted for in these financial statements.

Basis for Opinon

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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.

Auditors' 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 auditors' 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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.

Report on Summarized Comparative Information

We have previously audited the Institute's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Renner and Company, CPA, P.C.

Alexandria, Virginia
September 19, 2022

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INSTITUTE FOR FREE SPEECH

STATEMENT OF FINANCIAL POSITION
December 31, 2021 (with Comparative Information as of December 31, 2020)

ASSETS

	2021	2020
CURRENT ASSETS		
Cash	$ 1,548,194	$ 1,395,709
Investments	4,233,239	3,680,754
Attorneys fees receivable	-	259,055
Accounts receivable	176	5,160
Prepaid expenses	1,771	4,496
TOTAL CURRENT ASSETS	5,783,380	5,345,174
PROPERTY AND EQUIPMENT, at cost, net	373,105	420,648
INTANGIBLE ASSETS		
Website development, at cost, net	-	3,709
OTHER ASSETS		
Security deposit	16,474	16,474
TOTAL ASSETS	$ 6,172,959	$ 5,786,005

LIABILITIES AND NET ASSETS

	2021	2020
CURRENT LIABILITIES		
Accounts payable	$ 19,150	$ 15,083
Accrued expenses	158,521	353,593
Capital lease obligation	3,080	2,951
Deferred rent	13,576	21,799
Deferred tenant allowance	32,501	32,501
Escrow	295	295
TOTAL CURRENT LIABILITIES	227,123	426,222
LONG-TERM LIABILITIES		
Capital lease obligation, net of current portion	4,316	7,396
Deferred rent, net of current portion	210,572	172,642
Deferred tenant allowance, net of current portion	260,007	292,508
TOTAL LONG-TERM LIABILITIES	474,895	472,546
TOTAL LIABILITIES	702,018	898,768
NET ASSETS WITHOUT DONOR RESTRICTIONS	5,470,941	4,887,237
TOTAL LIABILITIES AND NET ASSETS	$ 6,172,959	$ 5,786,005

See Notes to Financial Statements.

INSTITUTE FOR FREE SPEECH

STATEMENT OF ACTIVITIES
Year Ended December 31, 2021 (with Comparative Information for the year ended December 31, 2020)

	2021	2020
SUPPORT AND REVENUE		
Contributions	$ 3,231,497	$ 2,832,692
Donated services	193,015	173,516
Rental income	57,000	42,750
Miscellaneous	13,064	2,718
Attorney fees	12,902	355,592
Investment income	1,747	59,498
TOTAL SUPPORT AND REVENUE	3,509,225	3,466,766
EXPENSES		
Program services	2,706,119	2,392,815
Management and general	66,354	80,268
Development	153,048	153,478
TOTAL EXPENSES	2,925,521	2,626,561
CHANGE IN NET ASSETS	583,704	840,205
NET ASSETS, beginning of year	4,887,237	4,047,032
NET ASSETS, end of year	$ 5,470,941	$ 4,887,237

See Notes to Financial Statements.

INSTITUTE FOR FREE SPEECH

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021 (with Summarized Comparative Information for the year ended December 31, 2020)

	2021							2020
	Program Services				Supporting Services			
	Communication	Legal	Research and External Relations	Total Program	Management and General	Development	Total	Total
Salaries	$ 311,367	$ 999,572	$ 305,129	$ 1,616,068	$ 23,880	$ 93,688	$ 1,733,636	$ 1,525,969
Rent	36,089	115,855	35,366	187,310	2,767	10,859	200,936	176,027
Donated services	93,697	99,318	-	193,015	-	-	193,015	173,516
Employee benefits	26,700	85,715	26,165	138,580	2,049	8,034	148,663	155,554
Payroll taxes	22,601	72,556	22,148	117,305	1,734	6,800	125,839	108,394
Professional fees	43,400	26,578	31,138	101,116	5,379	6,600	113,095	87,377
Legal	403	87,023	7,326	94,752	(1,932)	5,705	98,525	30,134
Depreciation and amortization	11,060	35,505	10,838	57,403	847	3,329	61,579	64,912
Dues and subscriptions	1,146	55,859	696	57,701	2,605	484	60,790	56,170
Travel	39	23,537	13,984	37,560	2,970	3,859	44,389	28,838
Mailing, postage, and printing	16,034	10,754	3,559	30,347	3,530	3,611	37,488	36,099
Computer services	3,026	9,714	2,965	15,705	232	910	16,847	18,404
Accounting fees	-	-	-	-	16,767	-	16,767	16,816
Miscellaneous	2,953	9,480	2,894	15,327	224	889	16,440	92,509
Marketing	-	6,196	-	6,196	1,649	6,726	14,571	14,490
Conference	-	4,680	4,967	9,647	1,125	1,150	11,922	1,376
Grant expense	-	8,000	-	8,000	-	-	8,000	-
Insurance	-	6,806	-	6,806	807	-	7,613	6,484
Business meals	-	2,910	845	3,755	992	-	4,747	6,402
Telephone and internet	799	2,563	783	4,145	61	240	4,446	3,940
Supplies	496	1,592	486	2,574	38	149	2,761	18,930
Meetings	-	296	1,700	1,996	-	-	1,996	-
Branding	-	-	168	168	240	-	408	792
Interest	-	-	-	-	385	-	385	508
Licenses and fees	-	378	-	378	-	-	378	1,241
Bank fees	51	164	50	265	5	15	285	1,679
Total	$ 569,861	$ 1,665,051	$ 471,207	$ 2,706,119	$ 66,354	$ 153,048	$ 2,925,521	$ 2,626,561

See Notes to Financial Statements.

INSTITUTE FOR FREE SPEECH

STATEMENT OF CASH FLOWS
Year Ended December 31, 2020 (with Comparative Information for the year ended December 31, 2019)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Support and revenue	$ 3,578,502	$ 2,999,241
Interest income	169	60,609
Total cash received from operations	3,578,671	3,059,850
Cash disbursed by operations		
Payment to suppliers and employees	2,861,231	1,766,060
Interest expense	385	508
Total cash disbursed by operations	2,861,616	1,766,568
NET CASH PROVIDED BY OPERATING ACTIVITIES	717,055	1,293,282
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,150,868)	(4,076,500)
Sale of investments	599,961	4,229,891
Purchase of property and equipment	(10,712)	(420,690)
NET CASH USED BY INVESTING ACTIVITIES	(561,619)	(267,299)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	(2,951)	(2,828)
NET INCREASE IN CASH	152,485	1,023,155
CASH, beginning of year	1,395,709	372,554
CASH, end of year	$ 1,548,194	$ 1,395,709
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Unrealized (gain) loss in market value of investments	$ (1,578)	$ 1,111
Increase (decrease) in investment value	1,578	(1,111)
	$ -	$ -

See Notes to Financial Statements.

INSTITUTE FOR FREE SPEECH

STATEMENT OF CASH FLOWS
Year Ended December 31, 2020 (with Comparative Information for the year ended December 31, 2019)

	2021	2020
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	$ 583,704	$ 840,205
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Unrealized (gain) loss on investments	(1,578)	1,111
Noncash occupancy cost - Deferred rent	29,707	194,441
Noncash occupancy cost - Deferred tenant allowance	(32,501)	325,009
Disposal of assets	385	662
Depreciation and amortization expense	61,579	64,912
	57,592	586,135
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH		
ASSETS		
Attorneys fees receivable	259,055	(259,055)
Accounts receivable	4,984	24,544
Prepaid expenses	2,725	20,590
Security deposit	-	16,473
Escrow	-	(670)
	266,764	(198,118)
LIABILITIES		
Accounts payable	4,067	(75,943)
Accrued expenses	(195,072)	141,003
	(191,005)	65,060
NET CHANGES IN ASSETS AND LIABILITIES	75,759	(133,058)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 717,055	$ 1,293,282

See Notes to Financial Statements.

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE

Organization and Purpose

Institute for Free Speech (the Institute) is an independent, nonprofit organization incorporated in Virginia in November 2005 that promotes and defends the political rights to free speech, press, assembly, and petition guaranteed by the First Amendment through litigation, communication, research and education. The Institute's major program activities are as follows:

1. Litigation - The litigation program of the Institute pursues strategic litigation and files amicus briefs to defend the First Amendment rights to free political speech, press, assembly and petition.

2. Research and External Relations - The Institute publishes research on the effects of laws and regulations on the First Amendment rights to free political speech, press, assembly and petition. The Institute also tracks and analyzes proposed legislation and regulations at the federal and state levels that could affect these First Amendment rights.

3. Communication - The Institute communicates with and educates the public, legislators, organizations, and the media to enable every American to understand the importance of the First Amendment's speech freedoms. It communicates this information through published articles in newspapers, websites, and magazines, briefings of and interviews with journalists, appearances on television and radio, newsletters, and an extensive website and blog.

Significant Accounting Policies

Income Taxes

The Institute is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been granted public charity status. The Institute conducts no taxable activities. Accordingly, no provision for income taxes has been provided in the financial statements.

In accounting for uncertainty in income taxes, accounting standards require an entity to recognize the financial statement impact of a tax position when it is more-likely-than-not that the position will not be sustained upon examination. Management evaluated the Institute's tax positions and concluded there are no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (CONTINUED)

Significant Accounting Policies (Continued)

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 (U.S. GAAP). Revenues are recognized in the period in which they are earned; expenses are recognized in the period in which they are incurred.

Summarized Information

The financial statements include certain summarized comparative information in total but not by each class of net assets. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Cash and Cash Equivalents

Cash consists of a checking account and cash on hand. The Institute considers as cash equivalents highly liquid investments which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase. There were no cash equivalents as of December 31, 2021 and 2020.

Investments

The Institute's investment portfolio includes bank deposits, government money market funds and certificates of deposit. Certificates of deposit with maturities no more than one year are classified as short-term investments. Certificates with maturities greater than one year are classified as other long-term investments. Certificates of deposit are reported at cost plus accrued interest which approximates fair value. The certificate of deposit has a maturity date of January 18, 2022.

Government money market funds are exposed to various risks such as market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (CONTINUED)

Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Institute provides for losses on accounts receivable using the allowance method. Management has determined that all significant receivables are collectible and, therefore, an allowance for doubtful accounts has not been established. Accounts receivable are considered past due if payments are not received within 30 days of the invoice date. Returns are recorded as accepted and accounts receivable deemed uncollectible are charged off based on individual credit evaluation and specific circumstances of the parties involved.

Property and Depreciation

All acquisitions of property and equipment in excess of $1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the appropriate fair value at the date of donation. Depreciation is computed using the straight-line method.

Intangible Assets

Intangible assets are carried at cost. Amortization is computed using the straight-line method based on the asset's estimated useful life. When the asset is retired or otherwise disposed of, the cost and related accumulated amortization are removed from the accounts, and any resulting gain or loss is recognized.

Classes of Assets

In accordance with U.S. GAAP, the Institute's net assets are classified into two categories: net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restriction

The Institute includes operating net assets which are available for the general operations of the Institute as net assets without donor restriction.

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (CONTINUED)

Significant Accounting Policies (Continued)

Classes of Assets (Continued)

Net Assets With Donor Restriction

The Institute reports gifts of cash and other restricted support if they are received with donor stipulations that limit the use of donated assets as net assets with donor restriction. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restriction.

Investment gains and losses earned on donor restricted funds held by the Institute are recorded as an increase or decrease in net assets without donor restriction.

Revenue Recognition

The Institute reports contributions with donor-imposed restrictions as net assets with donor restrictions; however, donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restriction, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Disaggregation of Revenue

The Institute is dependent on the strength of its ability to solicit donations and grants from outside sources. The Institute recognizes revenue as it is received for financial reporting purposes. The Institute classifies revenue between grants and donations, and these categories are used to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

Performance Obligations

The Institute's revenue solely consists of donations and grants from outside sources. No performance obligations exist as of the December 31, 2021 fiscal year end.

NOTES TO FINANCIAL STATEMENTS
December 31, 2021 (with Comparative Information as of and for the year ended December 31, 2020)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (CONTINUED)

Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Significant Judgments

The Institute's revenue is a result of donations and grants from independent outside sources. As a result, revenue is recognized as it is received.

Gifts-in-kind

Donated services are recorded at their estimated fair market value on the date of receipt. Donated services are recognized in the financial statements at their fair value if the services require specialized skills and the services would typically need to be purchased if not donated. In-kind contributions are reported in the statement of activities as both revenue and expense.

Adoption of New Accounting Standard

IFS has adopted the financial statement presentation and disclosure standards contained in the Financial Accounting Standards Board Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* , modifying ASC section 958. The change has been applied as of December 31, 2021, with no effect on beginning net assets.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, such as salaries, rent, employee benefits, payroll taxes, professional fees, legal, depreciation and amortization, dues and subscriptions, travel, mailing, postage, and printing, computer services, miscellaneous, marketing, conference, insurance, business meals, telephone and internet, supplies, branding, and bank fees have been allocated among the program and supporting services benefits based on level of effort or by department based on direct association.

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (CONTINUED)

Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues during the reporting period. Actual results could differ from those estimates.

Liquidity and Availability of Assets

The Institute maintains a liquid cash balance in checking and money market accounts in an amount necessary to meet its anticipated expenditures for the next 30 days. Cash in excess of this amount is invested in short-term investments.

The Institute reconciles the balance of financial assets subject to donor restrictions monthly, based on restricted amounts used and received. Restricted cash and investments are separately identified and monitored as part of the Institute's monthly financial reporting process.

The Institute's financial assets available within one year to meet cash needs for general expenditures through December 31, 2022 are as follows:

Financial Assets	
Cash	$ 1,548,194
Investments	4,233,239
Accounts receivable	176
Financial assets available within one year to meet cash needs for general expenditures within one year	$ 5,781,609

2. CASH

Cash as of December 31, 2021 and 2020 consisted of the following:

	2021	2020
Operating accounts	$ 1,548,194	$ 1,395,709

The Institute maintains cash balances at multiple financial institutions. The balances are insured by the Federal Deposit Insurance Corporation. As of December 31, 2021 and 2020, the Institute's cash balances in excess of federal deposit insurance coverage totaled $1,253,652 and $1,110,094, respectively.

3. PROPERTY AND DEPRECIATION

Property and depreciation for the years ended December 31, 2021 and 2020 consisted of the following:

	2021			
	Cost	Depreciation expense	Accumulated depreciation	Useful life (years)
Furniture, fixtures, and equipment	$ 98,117	$ 17,741	$ 39,099	3 - 5
Leasehold improvements	380,653	37,130	73,564	5
Equipment under capital lease	14,995	2,999	7,997	5
	$ 493,765	$ 57,870	$ 120,660	

	2020			
	Cost	Depreciation expense	Accumulated depreciation	Useful life (years)
Furniture, fixtures, and equipment	$ 87,790	$ 14,886	$ 21,358	3 - 5
Leasehold improvements	380,653	36,434	36,434	5
Equipment under capital lease	14,995	2,999	4,998	5
	$ 483,438	$ 54,319	$ 62,790	

4. INTANGIBLE ASSET

Intangible assets and accumulated amortization as of December 31, 2021 and 2020, and amortization expense for the years then ended is as follows:

	2021		
	Cost	Amortization Expense	Accumulated Amortization
Website development	$ 31,776	$ 3,709	$ 31,776

	2020		
	Cost	Amortization Expense	Accumulated Amortization
Website development	$ 31,776	$ 10,592	$ 28,067

5. INVESTMENTS

Investments are recorded at fair value and consist of the following as of December 31, 2021 and 2020:

	2021		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Bank deposits	$ 2,978,315	$ 2,978,315	$ -
Government money market funds	1,004,941	1,004,941	-
Certificates of deposit - negotiable	250,000	249,983	(17)
	$ 4,233,256	$ 4,233,239	$ (17)

	2020		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Insured deposit program	$ 1,727,428	$ 1,727,428	$ -
Government money market funds	703,326	703,326	-
Certificates of deposit - negotiable	1,250,000	1,250,000	-
	$ 3,680,754	$ 3,680,754	$ -

6. FAIR VALUE MEASUREMENTS

The Institute records investments based on fair value on a recurring basis. Financial accounting and reporting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The standard emphasizes that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the standards established a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Institute has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Institute's assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets or liabilities.

6. FAIR VALUE MEASUREMENTS (CONTINUED)

The following summarizes investments, measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of December 31, 2021 and 2020:

	2021		
	Fair Value	Level 1	Level 2
Bank deposits	$ 2,978,315	$ 2,978,315	$ -
Government money market funds	1,004,941	1,004,941	-
Certificates of deposit - negotiable	249,983	-	249,983
	$ 4,233,239	$ 3,983,256	$ 249,983

	2020		
	Fair Value	Level 1	Level 2
Insured deposit program	$ 1,727,428	$ 1,727,428	$ -
Government money market funds	703,326	703,326	-
Certificates of deposit	1,250,000	-	1,250,000
	$ 3,680,754	$ 2,430,754	$ 1,250,000

7. CAPITAL LEASE

The Institute entered into an agreement to lease a copier machine under a capital lease which commenced in May 2019 and expires April 2024. The assets and liabilities under the capital lease are recorded at the lower of the present value of the minimum lease payments or the market value of the asset and will be amortized over its estimated useful life. The capital lease obligation is secured by the leased assets.

Future minimum lease payments under this capital lease are as follows:

Fiscal year ending	Total Payments	Interest Portion	Net
2022	$ 3,336	$ 256	$ 3,080
2023	3,336	122	3,214
2024	1,112	10	1,102
	$ 7,784	$ 388	$ 7,396

Total interest expense for the years ended 2021 and 2020 was $385 and $508, respectively.

8. NET ASSETS WITH DONOR RESTRICTION

The Institute maintained no net assets with donor restriction as of December 31, 2020 and December, 31, 2021, respectively.

9. RETIREMENT PLAN

The Institute maintains a 401K plan into which employees can contribute up to $12,000 of their compensation in pretax dollars. The Institute matches employee contributions up to 3% of an employee's salary. Contribution expense for the Institute totaled $34,202 and $41,305 for the years ended 2021 and 2020, respectively.

10. COMMITMENTS - OFFICE LEASE

Operating Lease

The Institute entered into a lease agreement in June 2019 to lease office space in Washington, DC for 11 years with a commencement date of January 1, 2020. The monthly base rent at the start of the lease is $16,474 with an annual escalation in rent payments of 4%. The lease contains an early opt out at 8 years and option to extend the term by five years. The first ten months of rent are also abated as part of the terms of the lease agreement. Future minimum lease payments are as follows:

Fiscal year ended	
2022	$ 213,813
2023	222,365
2024	231,260
2025	240,510
2026	250,131
Thereafter	1,104,658
	$ 2,262,737

10. COMMITMENTS - OFFICE LEASE (CONTINUED)

Rental expense is recognized on a straight-line basis over the lease term even if the payments are not made on a straight-line basis. The difference between actual rental payments and the computed rental amounts is reported as deferred rent. Amounts recognized in excess of total payments made at December 31, 2021 and December 31, 2020 total $216,241 and $194,441, respectively.

Similarly, a deferred tenant allowance is recognized upon utilization of the funds allowed for leasehold improvements and is amortized over the lease term. No additional payments are made after the allowance is utilized. The amount unamortized is reported as a deferred tenant allowance liability. Unamortized deferred tenant allowance for which no payments are required at December 31, 2021 and December 31, 2020 totaled $292,508 and $325,009, respectively.

Sublease

The Institute entered into a sublease agreement that commenced April 1, 2020. Lease income for the year ended December 31, 2021 totaled $57,000. The sublease continues through March 31, 2022. Future minimum lease payments to be received for the fiscal year ended December 31, 2022 is $19,760. The subtenant did not extend the term of the sublease subsequent to the year end.

11. RELATED PARTY TRANSACTIONS

The Institute has entered into an agreement with the Chairman of its Board of Directors for consulting services to provide legal services, assist the Institute's communications activities, including but not limited to media interviews, articles, blog posts and speeches, assist with research and external relations, including testimony, letters and speeches, assist fundraising activities and provide other services as requested. The original agreement expired December 31, 2011; however, it has been renewed through December 31, 2016, with automatic renewals on an annual basis unless cancelled in writing. The consulting services were $66,000 for both years ended December 31, 2021 and 2020.

12. CONCENTRATIONS

During 2021, the Institute received $3,034,968 or 86.49% of its total revenue from fourteen donors. During 2020, the Institute received $2,500,000 or 72.09% of its total revenue from sixteen donors. No contracts or pledges exist as a guarantee that these levels of contributions will continue.

13. DONATED SERVICES

The Institute receives donated professional fees for legal and communications from various companies. These donated professional fees have been recorded in the financial statements at their estimated fair value under the statement of activities. Due to the nature of these nonfinancial assets, the services were utilized in the period they were received and there were no donor restrictions imposed on them. Inputs used to measure the initial recognition of donated services consist of current market rates for services received. The following table outlines the activity for the years ended December 31, 2021 and 2020, respectively:

	2021	2020
Legal	$ 99,318	$ 60,500
Communications	93,697	113,016
	$ 193,015	$ 173,516

14. CONTINGENCIES - COVID-19 CORONAVIRUS

Citizens and economies of the United States and other countries have been significantly impacted by the coronavirus (COVID-19) pandemic. While it is premature to accurately predict how the coronavirus will ultimately affect the Institute's operations because the disease's severity and duration are uncertain, we expect 2022 financial results may be significantly impacted. No pandemic implications are accounted for in these financial statements.

15. SUBSEQUENT EVENTS

In preparing the financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through September 19, 2022, the date of the financial statements were available to be issued.