Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Financial Statements

June 30, 2015 and 2014

BAKER TILLY

Candor. Insight. Results.

Table of Contents
June 30, 2015 and 2014

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Independent Auditors' Report

Board of Trustees
Intercollegiate Studies Institute, Inc. and Subsidiary

We have audited the accompanying consolidated financial statements of the Intercollegiate Studies Institute, Inc. and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Intercollegiate Studies Institute, Inc. and Subsidiary as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
November 20, 2015

Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Statement of Financial Position
June 30, 2015 and 2014

	2015	2014
Assets		
Current Assets		
Cash	$ 1,539,400	$ 1,267,132
Publications receivable	77,727	140,645
Inventory	290,355	285,716
Contributions receivable, current	1,190,955	514,659
Prepaid expenses	117,005	256,129
Total current assets	3,215,442	2,464,281
Other Assets		
Contributions receivable, long-term	5,625	288,787
Land, buildings and equipment, net	3,857,245	3,868,725
Long-term investments	3,822,911	4,829,001
Charitable remainder trusts	149,693	155,738
Total other assets	7,835,474	9,142,251
Total assets	$ 11,050,916	$ 11,606,532
Liabilities and Net Assets		
Current Liabilities		
Demand note payable, bank	$ 1,774,776	$ 2,882,000
Accounts payable	238,861	212,309
Current maturities of capital lease payable	15,127	13,968
Liability for funds held for others	72,009	131,865
Total current liabilities	2,100,773	3,240,142
Long-Term Liabilities		
Capital lease payable, net of current maturities	22,140	37,267
Total liabilities	2,122,913	3,277,409
Net Assets		
Unrestricted	5,291,874	5,045,410
Temporarily restricted	2,636,129	2,283,713
Permanently restricted	1,000,000	1,000,000
Total net assets	8,928,003	8,329,123
Total liabilities and net assets	$ 11,050,916	$ 11,606,532

See notes to consolidated financial statements

Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Other Support				
Contributions	$ 3,896,557	$ 3,084,700	$ -	$ 6,981,257
Programs	300,742		-	300,742
Publication sales	483,379		-	483,379
Investment income	141,622		-	141,622
Corporate rent	63,503		-	63,503
Satisfaction of program restrictions	2,732,284	(2,732,284)	-	-
Total revenue, gains and other support	7,618,087	352,416	-	7,970,503
Expenses				
Program:				
Publications	557,977	-	-	557,977
National student journalism	1,384,667	-	-	1,384,667
Lectures and debates	109,550	-	-	109,550
Honors fellows and fellowships	790,989	-	-	790,989
Membership services	636,644	-	-	636,644
Faculty development	134,558	-	-	134,558
Books	906,216	-	-	906,216
Liberty fund	419,256	-	-	419,256
Conferences	1,035,552	-	-	1,035,552
				-
Total program expenses	5,975,409	-	-	5,975,409
Program support services:				
General and administrative	835,569	-	-	835,569
Development	491,519	-	-	491,519
Total program support services	1,327,088	-	-	1,327,088
Total expenses	7,302,497	-	-	7,302,497
Increase in net assets from operating activities	315,590	352,416	-	668,006
Non-Operating Activities:				
Net realized gains on investments	22,021	-	-	22,021
Net unrealized losses on investments	(50,875)	-	-	(50,875)
Change in value of split-interest agreements	(40,272)	-	-	(40,272)
Decrease in net assets from non-operating activities	(69,126)	-	-	(69,126)
Increase in Net Assets	246,464	352,416	-	598,880
Net Assets, Beginning of Year	5,045,410	2,283,713	1,000,000	8,329,123
Net Assets, End of Year	$ 5,291,874	$ 2,636,129	$ 1,000,000	$ 8,928,003

Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Other Support				
Contributions	$ 3,551,790	$ 2,100,015	$ -	$ 5,651,805
Programs	258,332	-	-	258,332
Publication sales	679,304	-	-	679,304
Investment income	119,415	-	-	119,415
Corporate rent	92,556	-	-	92,556
Satisfaction of program restrictions	2,611,549	(2,611,549)	-	-
Total revenue, gains and other support	7,312,946	(511,534)	-	6,801,412
Expenses				
Program:				
Publications	424,830	-	-	424,830
National student journalism	896,494	-	-	896,494
Lectures and debates	505,583	-	-	505,583
Honors fellows and fellowships	728,524	-	-	728,524
Membership services	447,413	-	-	447,413
Faculty development	219,378	-	-	219,378
Books	973,383	-	-	973,383
Liberty fund	378,534	-	-	378,534
Conferences	691,497	-	-	691,497
Total program expenses	5,265,636	-	-	5,265,636
Program support services:				
General and administrative	726,525	-	-	726,525
Development	620,355	-	-	620,355
Total program support services	1,346,880			1,346,880
Total expenses	6,612,516	-	-	6,612,516
Increase (decrease) in net assets from operating activities	700,430	(511,534)	-	188,896
Non-Operating Activities:				
Net realized losses on investments	(9,249)	-	-	(9,249)
Net unrealized gains on investments	437,760	-	-	437,760
Change in value of split-interest agreements	51,671	-	-	51,671
Increase in net assets from non-operating activities	480,182	-	-	480,182
Increase (Decrease) in Net Assets	1,180,612	(511,534)	-	669,078
Net Assets, Beginning of Year	3,864,798	2,795,247	1,000,000	7,660,045
Net Assets, End of Year	$ 5,045,410	$ 2,283,713	$ 1,000,000	$ 8,329,123

See notes to consolidated financial statements

Intercollegiate Studies Institute, Inc. and Subsidiary

Consolidated Statement of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Increase in net assets	$ 598,880	$ 669,078
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	204,134	151,780
In-kind donation of equipment	-	(112,421)
Unrealized losses (gains) on investments	50,875	(437,760)
Realized (gains) losses on investments	(22,021)	9,249
Change in value of split-interest agreements	40,272	(51,671)
Changes in assets and liabilities:		
Contributions receivable	(393,134)	352,201
Prepaid expenses	139,124	(19,635)
Publications receivable	62,918	66,091
Inventory	(4,639)	45,635
Charitable remainder trusts	6,045	-
Accounts payable	26,552	74,193
Liability for funds held for others	(59,856)	(82,860)
Net cash provided by operating activities	649,150	663,880
Cash Flows from Investing Activities		
Purchases of property and equipment	(192,654)	(154,529)
Purchases of investments	-	(380,036)
Proceeds from sale of investments	936,964	-
Net cash provided by (used in) investing activities	744,310	(534,565)
Cash Flows from Financing Activities		
Payments on demand note payable, bank	(1,107,224)	(916,493)
Net payments on capital lease payable	(13,968)	(12,897)
Net cash used in financing activities	(1,121,192)	(929,390)
Net increase (decrease) in cash	272,268	(800,075)
Cash, Beginning	1,267,132	2,067,207
Cash, Ending	$ 1,539,400	$ 1,267,132
Supplementary Disclosure of Cash Flow Information,		
Cash paid during the year for interest	$ 73,208	$ 106,591

See notes to consolidated financial statements

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Intercollegiate Studies Institute, Inc., a not-for-profit organization, was founded in 1953 and is located in Wilmington, Delaware. The Institute's mission is to inspire college students to discover, embrace and advance the principles and virtues that make America free and prosperous.

Collegiate Network, Inc. is a wholly owned subsidiary founded to enhance the educational opportunities of college students by providing materials, advice and assistance to teachers and students involved with the production and writing of student newspapers and journals.

The above organizations are collectively referred to as the "Institute".

Principles of Consolidation

The consolidated financial statements include the accounts of Intercollegiate Studies Institute, Inc. and Collegiate Network Inc. All material intercompany balances and transactions have been eliminated.

Basis of Accounting and Presentation

The financial statements of the Institute have been prepared on the accrual basis of accounting.

These financial statements present financial information showing the financial position, the activities, and the cash flows of the Institute reflecting the presence or absence of donor-imposed restrictions. Accordingly, the amounts of net assets are classified according to the nature of restrictions, as follows:

Permanently Restricted Net Assets - Net assets which are subject to donor-imposed restrictions that they be maintained permanently by the Institute. Generally, the donors of these assets permit the Institute to use all or part of the income earned on related investments for general or specific purposes. The donors of certain permanently restricted net assets allow for the Institute to utilize the corpus of the gift if sufficient investment income does not exist to fulfill the purpose of the gift.

Temporarily Restricted Net Assets - Net assets which are subject to donor-imposed restrictions that will be met when expenditures are made for the designated purposes or with passage of time. The expiration of temporary restrictions on net assets is reported in the statement of activities as satisfaction of restrictions. Temporarily restricted contributions and temporarily restricted endowment income whose restrictions are not met in the same period as received or earned are reported as increases in temporarily restricted net assets.

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions.

Publications Receivable

Publications receivable are uncollateralized customer obligations due under normal trade terms generally requiring payment within 30 days from the invoice date. Follow-up correspondence is made if unpaid publications receivable go beyond 30 days. Payments of publications receivable are applied to the earliest unpaid invoice. The stated balance of publications receivable is based upon the amount management has determined to be reasonably collectible. Bad debts are charged to expense when determined to be uncollectible by management. It is the opinion of management that bad debt expense computed under this method would not be materially different from what it would be if the allowance method were used. There was no bad debt expense recorded for the years ended June 30, 2015 and 2014.

Contributions

Authoritative guidance requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Institute to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Donor-restricted contributions are reported as unrestricted operating revenue when the restriction is satisfied within the same year that the contribution is received.

Contributions are reported as an increase in the appropriate net asset category in the year received. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at their net present value. The discount is computed using a credit-adjusted interest rate. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Inventory

Inventory, which consists primarily of books, is valued at the lower of cost (first-in, first-out) or market.

Prepaid Expenses

Prepaid expenses include pre-press expenses and prepaid royalties that are amortized as publications are sold. Amortization expense at June 30, 2015 and 2014 is included within book expenses in the consolidated statement of activities.

Land, Buildings, Equipment and Depreciation

Buildings, office equipment and furniture are recorded at cost. Provisions for depreciation are made over the estimated useful lives of the respective assets (generally five years for equipment and furniture, and forty years for buildings) using the straight-line method. Land is recorded at cost.

Upon retirement or disposition of office equipment and furniture, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the consolidated statement of activities. The Institute capitalizes all expenditures for property and equipment in excess of $5,000. Lesser amounts are expensed.

Investments

Investments in equity and debt securities are recorded at fair market value in the consolidated statement of financial position. Any unrealized gains and losses on investments are included in the consolidated statement of activities as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations, in which case unrealized gains or losses will affect temporarily restricted net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

The Institute's principal financial instruments subject to credit risk are its investments. The investments are managed by professional advisors subject to the Institute's investment policy. The degree and concentration of credit risk varies by type of investment. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term.

Operating and Non-Operating Classifications

Revenue, gains, and other support and expenses are classified in the consolidated statement of activities as operating and non-operating. The operating classification includes revenue from contributions, programs, publications and investment income. The non-operating classification includes realized and unrealized gains and losses on investments and change in value of split interest agreements.

Income Taxes

Intercollegiate Studies Institute, Inc. and Collegiate Network, Inc. are not-for-profit entities that are exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, have made no provision for federal or state income tax in the accompanying consolidated financial statements. In addition, both organizations have been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

The Institute accounts for uncertainties in income taxes in accordance with authoritative guidance, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined there were no tax uncertainties that met the recognition threshold at June 30, 2015 and 2014.

The federal Exempt Organization Business Income Tax Returns for both organizations remain subject to examination by the IRS for the years subsequent to June 30, 2011.

The Institute's policy is to recognize interest related to unrecognized tax benefits and obligations in interest expense and penalties in operating expenses.

Use of Estimates

The preparation of the consolidated financial statements is in conformity with accounting principles generally accepted in the United States of America, which 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 consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events were evaluated through November 20, 2015, which is the date the consolidated financial statements were available to be issued.

New Accounting Standards

In April 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-06, *Not-for-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate.* This amendment will require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Such services will be required to be measured at the cost recognized by the affiliate for the personnel providing those services. However, if this measurement will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either the cost recognized by the affiliate for the personnel providing that service or the fair value of that service. This update was effective for the Institute's fiscal year beginning July 1, 2014. The guidance was prospective and management believes the adoption of this ASU did not have a significant impact on the Institute's consolidated financial position or results of operations.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. Under the requirements of ASU 2014-09, the core principle is that entities should recognize revenue to depict the transfer of promised goods or services to customers (students) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Institute will be required to retroactively adopt the guidance in ASU 2014-09 for the fiscal year beginning July 1, 2019. The Institute has not yet determined the impact of adoption of ASU 2014-09 on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This ASU was issued as a result of feedback received relating to the different balance sheet presentation requirements for debt issuance costs and debt discounts and premiums. To simplify presentation of debt issuance costs, the amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. ASU 2015-03 is effective for the Institute's fiscal year beginning July 1, 2016; early adoption is permitted for financial statements that have not been previously issued. The guidance is retrospective, and management does not anticipate that the adoption of this ASU will have a significant impact on the Institute's consolidated financial position or results of operations.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. This ASU was issued to address the diversity in practice relating to how certain investments measured at net asset value are categorized in the fair value hierarchy. The amendments in this update remove the requirement to categorize, within the fair value hierarchy, all investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. ASU 2015-07 is effective for the Institute's fiscal year beginning July 1, 2017; early adoption is permitted. The guidance is retrospective, and management does not anticipate that the adoption of ASU 2015-07 will have a significant impact on the Institute's consolidated financial position or results of operations.

2. Contributions Receivable

As of June 30, 2015 and 2014, contributors to the Institute have made written unconditional promises to give. These contributions receivable are included in the consolidated financial statements at their estimated net realizable value for unconditional promises to give that are expected to be collected or paid in less than one year, and at their net present value for promises expected to be collected or paid in one year or more.

Based upon payment schedules that are either specified by donors or estimated by the Institute, payments on pledges are due as follows as of June 30, 2015 and 2014:

	2015	2014
Amounts due in less than one year	$ 1,190,955	$ 514,659
Amounts due between one and five years	5,625	289,891
Amounts due after five years	-	-
Total value of contributions receivable	1,196,580	804,550
Less discount on contributions receivable	-	1,104
Reported value of contributions receivable	$ 1,196,580	$ 803,446

Receivables greater than one year were adjusted using a discount rate of 2.54% for the year ended June 30, 2014, based on the length of the discount period and on the corresponding treasury bill rate at the time of the contribution. There were no contributions receivable greater than one year received during the year ended June 30, 2015.

There was no allowance for doubtful contributions receivable as of June 30, 2015 and 2014.

3. Land, Buildings and Equipment

Land, buildings and equipment consisted of the following as of June 30:

	2015	2014
Land	$ 768,320	$ 768,320
Buildings and improvements	4,487,770	4,360,510
Office furniture and equipment	499,787	466,475
	5,755,877	5,595,305
Less accumulated depreciation	1,898,632	1,726,580
Net	$ 3,857,245	$ 3,868,725

Included in the above is equipment carried under capital leases at June 30:

	2015	2014
Equipment	$ 75,085	$ 75,085
Accumulated depreciation	37,818	23,850
Net	$ 37,267	$ 51,235

4. Investments and Fair Value Measurements

The Institute measures its deposits with trustees and investments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance established for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Institute for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the same term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The following table presents the assets measured at fair value as of June 30, 2015:

	Total Fair Value	Level 1	Level 2	Level 3
Short-term funds	$ 156,589	$ 156,589	$ -	$ -
Domestic bonds	780,255	780,255	-	-
Large cap stocks	1,760,597	1,760,597	-	-
Small cap stocks	340,634	340,634	-	-
International stocks	402,587	402,587	-	-
Other marketable securities	100,624	100,624	-	-
Annuity investments	281,625	281,625	-	-
Charitable remainder trusts	149,693	129,693	20,000	-
Total	$ 3,972,604	$ 3,952,604	$ 20,000	$ -

The following table presents the assets measured at fair value as of June 30, 2014:

	Total Fair Value	Level 1	Level 2	Level 3
Short-term funds	$ 821,380	$ 821,380	$ -	$ -
Domestic bonds	690,509	690,509	-	-
Large cap stocks	1,697,339	1,697,339	-	-
Small cap stocks	303,660	303,660	-	-
International stocks	417,333	417,333	-	-
Other marketable securities	112,530	112,530	-	-
Annuity investments	786,250	786,250	-	-
Charitable remainder trusts	155,738	135,738	20,000	-
Total	$ 4,984,739	$ 4,964,739	$ 20,000	$ -

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 or 2014.

Short-term funds, corporate stocks, bonds, annuity investments, and other marketable securities are valued at the quoted net asset value of shares held at year-end.

Charitable remainder trusts are valued at the quoted net asset value of shares held at year-end, as the Institute is the trustee under the trust agreements.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Institute believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

5. Charitable Remainder Trusts

The Institute is the trustee under a charitable remainder trust. The principal is held in trust and the income is paid to the donors until their deaths. The value of the principal held in trust totaled $129,693 and $135,738 as of June 30, 2015 and 2014, respectively. The relating liability for the charitable remainder trust totaled $32,265 and $40,329 as of June 30, 2015 and 2014, respectively. This liability is included in funds held for others on the consolidated statement of financial position. The Institute is also a beneficiary of a second charitable remainder trust with a value of $20,000 at both June 30, 2015 and 2014.

In addition to the charitable remainder trust obligation that is included in the liability funds held for others are amounts relating to charitable gift annuities established to benefit the Institute totaling $39,744 and $91,536 as of June 30, 2015 and 2014, respectively.

6. Capital Lease Payable

The Institute has entered into an agreement to lease certain assets, which are accounted for as capital leases. The assets are recorded at the lesser of the fair value of the asset or at the present value of minimum lease payments and included in land, buildings and equipment. Depreciation of assets under capital leases is included in depreciation expense.

	2015	2014
Total payment due under capital leases	$ 47,155	$ 67,364
Amount representing maintenance	(6,177)	(8,824)
Amount representing interest	(3,711)	(7,305)
Present Value	$ 37,267	$ 51,235

Future minimum lease payments under capital leases are as follows for the years ending June 30:

2016	$ 15,127
2017	16,383
2018	5,757
2019	-
2020	-
Total minimum capital lease payments	$ 37,267

7. Demand Note Payable, Bank

During fiscal year 2015, the Institute refinanced a portion of its line of credit held at Univest Bank with a second line of credit at WSFS Bank. For the years ended June 30, 2015 and 2014, the demand note payable drawn against both lines of credit amounted to $1,774,776 and $2,882,000, respectively, bearing interest at each bank's prime rate (average of 2.41% and 3.25% as of June 30, 2015 and 2014). The remaining unused balance of these commitments at June 30, 2015 and 2014 amounted to $3,659,215 and $1,051,891, respectively. The line of credit has been designated for working capital purposes, is due on demand, and is collateralized by the investment assets of the Institute. The lines of credit were both paid off on November 9, 2015.

8. Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2015	2014
Operations	$ 382,033	$ 773,394
Conferences	130,000	-
Lectures	-	75,000
Memberships	50,000	-
Publication programs	838,285	806,043
Fellowships	485,811	479,276
Honors	750,000	150,000
Total	$ 2,636,129	$ 2,283,713

Permanently restricted net assets at June 30, 2015 and June 30, 2014 consisted of a $1,000,000 fellowship endowment, the income of which is available for general operations.

9. Retirement Plan

During the fiscal year 2007, the Institute established a profit sharing plan (the “retirement plan”). The retirement plan covers all qualified salaried employees who have completed one year of service and are age 21 or older. The retirement plan is subject to the provisions of the Employee Retirement Income Security Act of 1974. The Institute contributes amounts annually at its own discretion. Vesting is based upon continuous years of service. Participants are fully vested after three years of service. The Institute contributed $44,510 to the retirement plan during the year ended June 30, 2015. There were no contributions to the retirement plan during the year ended June 30, 2014.

10. Concentration of Credit Risk

The Institute maintains its cash accounts in commercial banks. These account balances may, at times, exceed the Federal Deposit Insurance Corporation’s limits.

11. Endowment

The Institute's investable assets include an endowment that consists of a donor-restricted fund established for fellowships. As required by authoritative guidance, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Trustees of the Institute has interpreted the state of Delaware's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, and the remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets in accordance with the direction of the donor gift instrument. In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Institute and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Institute.
7. The investment policies of the Institute.

Changes in endowment net assets for the years ended June 30, 2015 and 2014:

	2015		
	Unrestricted	**Permanently Restricted**	**Total**
Endowment net assets, July 1, 2014	$ 285,693	$ 1,000,000	$ 1,285,693
Investment return:			
Investment income	37,920	-	37,920
Net depreciation (realized and unrealized)	(23,504)	-	(23,504)
Total investment return	14,416	-	14,416
Amounts released	-	-	-
Endowment net assets, June 30, 2015	$ 300,109	$ 1,000,000	$ 1,300,109

	2014		
	Unrestricted	Permanently Restricted	Total
Endowment net assets, July 1, 2013	$ 289,577	$ 1,000,000	$ 1,289,577
Investment return:			
Investment income	31,965	-	31,965
Net appreciation (realized and unrealized)	164,151	-	164,151
Total investment return	196,116	-	196,116
Amounts released	(200,000)	-	(200,000)
Endowment net assets, June 30, 2014	$ 285,693	$ 1,000,000	$ 1,285,693

Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Institute to retain as a fund of perpetual duration. There were no such amounts as of June 30, 2015 or 2014.

12. Related Party Transactions

The Institute received contributions from staff and board members, totaling $141,049 during the year ended June 30, 2015 and $143,984 during the year ended June 30, 2014.

13. Contingencies and Commitments

In the normal conduct of business, the Institute can become subject to various claims and litigations. Management is not aware of any such claims or litigations.