UNITED STATES NAVAL INSTITUTE AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

UNITED STATES NAVAL INSTITUTE AND AFFILIATE
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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
United States Naval Institute and Affiliate
Annapolis, Maryland

We have audited the accompanying consolidated financial statements of the United States Naval Institute and Affiliate (collectively known as the Institute), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, statements of functional expense, 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 audits 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 auditors' 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.

Board of Directors
United States Naval Institute and Affiliate

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of December 31, 2020 and 2019, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
April 23, 2021

UNITED STATES NAVAL INSTITUTE AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash	$ 4,518,437	$ 12,533,607
Accounts Receivable, Less Allowance for Doubtful Accounts of $148,913 in 2020 and $194,095 in 2019	1,199,832	958,212
Contributions Receivable, Net	6,768,697	8,432,444
Inventory	2,564,840	2,745,695
Prepaid Expenses and Other Assets	385,847	311,426
Investments, at Fair Value	4,479,422	6,483,470
Property and Equipment, Net	21,169,410	4,191,362
Deferred Publishing Costs	486,618	458,351
Total Assets	$ 41,573,103	$ 36,114,567
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 4,396,072	$ 1,294,467
Deferred Revenue	2,151,946	2,232,140
Unfunded Pension Obligation	931,774	1,157,648
Total Liabilities	7,479,792	4,684,255
NET ASSETS		
Without Donor Restrictions	20,596,997	5,300,947
With Donor Restrictions:		
Time or Purpose Restrictions	12,509,938	25,211,801
Subject to Spending Policy	89,693	20,881
Endowment	896,683	896,683
Total Net Assets With Donor Restrictions	13,496,314	26,129,365
Total Net Assets	34,093,311	31,430,312
Total Liabilities and Net Assets	$ 41,573,103	$ 36,114,567

See accompanying Consolidated Notes to Financial Statements.

UNITED STATES NAVAL INSTITUTE AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2020
REVENUES, INVESTMENT ACTIVITY, AND PUBLIC SUPPORT			
Publication Sales	$ 4,287,507	$ -	$ 4,287,507
Membership Dues and Subscriptions	1,646,424	-	1,646,424
Contributions	2,460,223	3,256,556	5,716,779
Advertising	428,297	-	428,297
Conference Income	1,057,409	-	1,057,409
Investment Income, Net	141,990	-	141,990
Net Realized and Unrealized Gain (Loss) on Investments	(674,832)	120,728	(554,104)
Royalties	139,037	-	139,037
Other Income	5,730	-	5,730
Net Assets Released from Restrictions:			
Satisfaction of Program and Time Restrictions	16,010,335	(16,010,335)	-
Total Revenues, Investment Activity, and Public Support	25,502,120	(12,633,051)	12,869,069
EXPENSES			
Program Services:			
Publishing Costs	5,703,549	-	5,703,549
Conference Expenses	450,901	-	450,901
Royalties	309,974	-	309,974
Special Projects	206,307	-	206,307
Other	64,755	-	64,755
Total Program Services	6,735,486	-	6,735,486
Supporting Services:			
Administrative Costs	2,912,597	-	2,912,597
Fundraising Expense	1,115,652	-	1,115,652
Membership Development	273,309	-	273,309
Total Supporting Services	4,301,558	-	4,301,558
Total Expenses	11,037,044	-	11,037,044
Change in Net Assets from Operating Activities	14,465,076	(12,633,051)	1,832,025
Nonoperating:			
Net Periodic Pension Costs and Changes in Plan's Net Assets	(274,126)	-	(274,126)
PPP Loan Forgiveness	1,105,100	-	1,105,100
Change in Net Assets from Nonoperating Activities	830,974	-	830,974
CHANGES IN NET ASSETS	15,296,050	(12,633,051)	2,662,999
Net Assets - Beginning of Year	5,300,947	26,129,365	31,430,312
NET ASSETS - END OF YEAR	$ 20,596,997	$ 13,496,314	$ 34,093,311

See accompanying Consolidated Notes to Financial Statements.

UNITED STATES NAVAL INSTITUTE AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total 2019
REVENUES, INVESTMENT ACTIVITY, AND PUBLIC SUPPORT			
Publication Sales	$ 4,154,866	$ -	$ 4,154,866
Membership Dues and Subscriptions	1,776,930	-	1,776,930
Contributions	1,504,906	8,461,867	9,966,773
Advertising	506,478	-	506,478
Conference Income	899,649	-	899,649
Investment Income, Net	227,658	-	227,658
Net Realized and Unrealized Gain on Investments	1,555,062	145,750	1,700,812
Royalties	150,293	-	150,293
Other Income	9,151	-	9,151
Net Assets Released from Restrictions:			
Satisfaction of Program and Time Restrictions	3,414,316	(3,414,316)	-
Total Revenues, Investment Activity, and Public Support	14,199,309	5,193,301	19,392,610
EXPENSES			
Program Services:			
Publishing Costs	6,159,058	-	6,159,058
Conference Expenses	543,832	-	543,832
Royalties	283,828	-	283,828
Special Projects	370,133	-	370,133
Other	208,477	-	208,477
Total Program Services	7,565,328	-	7,565,328
Supporting Services:			
Administrative Costs	3,670,371	-	3,670,371
Fundraising Expense	1,311,247	-	1,311,247
Membership Development	603,636	-	603,636
Total Supporting Services	5,585,254	-	5,585,254
Total Expenses	13,150,582	-	13,150,582
Change in Net Assets from Operating Activities	1,048,727	5,193,301	6,242,028
Nonoperating:			
Net Periodic Pension Costs and Changes in Plan's Net Assets	(388,404)	-	(388,404)
Loss on Asset Disposal	(442,500)	-	(442,500)
Change in Net Assets from Nonoperating Activities	(830,904)	-	(830,904)
Change in Donor Intent	101,259	(101,259)	-
CHANGES IN NET ASSETS	319,082	5,092,042	5,411,124
Net Assets - Beginning of Year	4,981,865	21,037,323	26,019,188
NET ASSETS - END OF YEAR	$ 5,300,947	$ 26,129,365	$ 31,430,312

See accompanying Consolidated Notes to Financial Statements.

UNITED STATES NAVAL INSTITUTE AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	2020										
	Program Services						Supporting Services				
	Publishing Costs	Conference Expenses	Royalties	Special Projects	Other	Total Program Services	Administrative Costs	Fundraising	Membership Development	Total Supporting Services	Total Expenses
EXPENSES											
Salaries and Benefits	$ 2,659,059	$ 291,456	$ -	$ 157,508	$ -	$ 3,108,023	$ 1,601,143	$ 816,317	$ 227,323	$ 2,644,783	$ 5,752,806
Cost of Goods Sold	1,614,331	-	-	-	-	1,614,331	-	-	-	-	1,614,331
Marketing	107,727	3,100	-	-	62,849	173,676	-	-	27,227	27,227	200,903
Office and Production	417,886	768	-	6,465	-	425,119	64,320	110,366	358	175,044	600,163
Postage and Freight	384,985	-	-	-	-	384,985	6,056	-	-	6,056	391,041
Royalties	-	-	309,974	-	-	309,974	-	-	-	-	309,974
Occupancy	238,562	-	-	-	-	238,562	18,191	4,548	-	22,739	261,301
Travel	15,430	73	-	-	-	15,503	24,855	12,377	4,845	42,077	57,580
Information Technology	-	-	-	-	-	-	322,126	105,315	-	427,441	427,441
Conferences and Meetings	35,481	155,504	-	-	-	190,985	-	-	-	-	190,985
Accounting and Legal	-	-	-	-	-	-	173,842	21,147	-	194,989	194,989
Awards and Contests	-	-	-	-	-	-	90,031	-	-	90,031	90,031
Consultants and Other Service Fees	108,395	-	-	41,834	-	150,229	375,637	5,043	13,556	394,236	544,465
Insurance	-	-	-	-	-	-	75,375	18,844	-	94,219	94,219
Depreciation	-	-	-	-	-	-	152,385	-	-	152,385	152,385
Other	121,693	-	-	500	1,906	124,099	8,636	21,695	-	30,331	154,430
Total Expenses	$ 5,703,549	$ 450,901	$ 309,974	$ 206,307	$ 64,755	$ 6,735,486	$ 2,912,597	$ 1,115,652	$ 273,309	$ 4,301,558	$ 11,037,044

See accompanying Consolidated Notes to Financial Statements.

UNITED STATES NAVAL INSTITUTE AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	2019										
	Program Services						Supporting Services				
	Publishing Costs	Conference Expenses	Royalties	Special Projects	Other	Total Program Services	Administrative Costs	Fundraising	Membership Development	Total Supporting Services	Total Expenses
EXPENSES											
Salaries and Benefits	$ 2,819,143	$ 307,170	$ -	$ 264,548	$ -	$ 3,390,861	$ 1,787,469	$ 787,402	$ 214,928	$ 2,789,799	$ 6,180,660
Cost of Goods Sold	1,373,691	-	-	-	-	1,373,691	-	-	-	-	1,373,691
Marketing	245,086	4,429	-	-	130,233	379,748	-	-	300,307	300,307	680,055
Office and Production	427,373	722	-	58,085	-	486,180	76,300	181,746	10,791	268,837	755,017
Postage and Freight	423,758	-	-	-	-	423,758	6,116	-	-	6,116	429,874
Royalties	-	-	283,828	-	-	283,828	-	-	-	-	283,828
Occupancy	311,130	-	-	-	-	311,130	35,263	8,816	-	44,079	355,209
Travel	52,943	1,250	-	-	2,725	56,918	60,311	60,543	24,504	145,358	202,276
Information Technology	-	-	-	-	-	-	746,083	138,803	51,456	936,342	936,342
Conferences and Meetings	132,419	230,261	-	-	-	362,680	-	12,242	-	12,242	374,922
Accounting and Legal	-	-	-	-	-	-	181,597	27,193	-	208,790	208,790
Awards and Contests	-	-	-	253	-	253	88,904	-	-	88,904	89,157
Consultants and Other Service Fees	158,535	-	-	46,747	-	205,282	413,124	4,440	1,650	419,214	624,496
Insurance	-	-	-	-	-	-	82,273	20,566	-	102,839	102,839
Depreciation	-	-	-	-	-	-	172,698	-	-	172,698	172,698
Other	214,980	-	-	500	75,519	290,999	20,233	69,496	-	89,729	380,728
Total Expenses	$ 6,159,058	$ 543,832	$ 283,828	$ 370,133	$ 208,477	$ 7,565,328	$ 3,670,371	$ 1,311,247	$ 603,636	$ 5,585,254	$ 13,150,582

See accompanying Consolidated Notes to Financial Statements.

UNITED STATES NAVAL INSTITUTE AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 2,662,999	$ 5,411,124
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	152,385	172,698
Increase (Decrease) in Inventory Reserve	191,457	(220,675)
Increase in Allowance for Doubtful Accounts		
and Contributions Receivable	134,818	108,797
Net Unrealized and Realized Losses (Gains) on Investments	554,104	(1,700,812)
Contributions - Donated Securities	-	(223,082)
Loss on Sale of Property and Other Assets	-	442,500
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(196,438)	(125,113)
Contributions Receivable	1,483,747	2,907,866
Inventory	(10,602)	(207,649)
Prepaid Expenses and Other Assets	(74,421)	127,822
Deferred Publishing Costs	(28,267)	(175,411)
Accounts Payable and Accrued Expenses	3,101,605	(355,735)
Deferred Revenue	(80,194)	25,354
Unfunded Pension Obligation	(225,874)	235,404
Net Cash Provided by Operating Activities	7,665,319	6,423,088
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(17,130,433)	(1,902,131)
Purchases of Investments	(141,990)	(227,658)
Proceeds from Sales and Maturities of Investments	1,591,934	2,690,590
Net Cash Provided (Used) by Investing Activities	(15,680,489)	560,801
NET INCREASE (DECREASE) IN CASH	(8,015,170)	6,983,889
Cash - Beginning of Year	12,533,607	5,549,718
CASH - END OF YEAR	$ 4,518,437	$ 12,533,607

See accompanying Consolidated Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The United States Naval Institute (the Institute) is a nonprofit member association, with no government support, formed in 1873 to provide an independent forum for those who dare to read, think, speak, and write to advance the professional, literary, and scientific understanding of sea power and other issues critical to global security. The membership includes officers and enlisted personnel of all branches of the military services, officers of foreign navies, and United States and foreign citizens.

The Naval Institute Foundation, Inc. (the Foundation) was organized exclusively to raise funds for charitable and educational purposes to further the mission and policies of the United States Naval Institute. Funds raised are to be used as directed by the Foundation Board of Trustees.

The Trustees manage the business and affairs of the Foundation provided all action taken by the Foundation's Board shall be strictly in compliance with the policies of the Institute's Board of Directors. Therefore, the Foundation is included in the consolidated financial statements of the Institute as an affiliate.

Basis of Accounting

The Institute prepares its consolidated financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles as they pertain to nonprofit organizations. Under this method, revenues are recognized when earned and expenses are recognized when incurred. The financial statement presentation is in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Consolidation Policy

The accompanying consolidated financial statements include the accounts of the United States Naval Institute and its affiliate, the Naval Institute Foundation, Inc. and are collectively referred to as the Institute. All significant transactions between the organizations, including all inter-organizational accounts and transactions have been eliminated in consolidation.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

When a donor restriction expires, that is, when a stipulated 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 consist of the unspent portion of donor-restricted contributions received by the Institute for various programs and investment income earned on contributions to be held in perpetuity. Any donor restricted resource that is received and used during the same year is considered an unrestricted resource and is reported as support and expense without donor restrictions.

Other net assets with donor restrictions may consist of assets whose use by the Institute is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Institute. The restrictions stipulate that resources be maintained permanently but permit the Institute to expend the income generated in accordance with the provisions of the agreement.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash

The Institute maintains all of its cash in one commercial bank located in Charlotte, North Carolina. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. Total cash held by the bank was $4,798,600 and $12,850,620 at December 31, 2020 and 2019, respectively.

Accounts Receivable and Allowance for Doubtful Amounts

Accounts receivable are customer obligations due under normal trade terms. The allowance for doubtful amounts is based on certain percentages of aged receivables, which are determined based on management’s historical experience and assessment of the general financial conditions affecting the customer base.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance for Doubtful Amounts (Continued)

If actual collections experience changes, revisions to the allowance may be required. A limited number of customers have individually large amounts due at any given date. Any unanticipated change in one of those customers' credit worthiness or other matters affecting the collectability of amounts due from such customers could have a material effect on the Institute's changes in net assets in the period in which such changes or events occur. An account is delinquent when payment is not received by the payment terms agreed to by the customer and the Institute. Payment terms vary by customer and are based on credit worthiness and history with the customer. The Institute does not charge interest to customers with account balances past due. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are expected to be received. Amortization of the discounts is included in contribution revenue.

Conditional promises to give are not included as support until the conditions are substantially met.

The Institute uses the allowance method to determine the uncollectible amounts of contributions receivable. The allowance is based upon prior years' experience and management's analysis of subsequent collections.

As of December 31, 2020 and 2019, the Institute believes that the allowance for uncollectible amounts is adequate.

Inventory

Inventories are carried at the lower of cost or net realizable value, and are valued using the average cost method of inventory valuation. Included in inventory are costs of publications held for sale and production costs of publications not completed at year-end.

The Institute has established an allowance for obsolete inventory based on management's analysis and prior sales history.

Investments

Investments are reported at fair value. Fair value is 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. See Note 3 for discussion of fair value measurements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis. Net appreciation or depreciation in fair value of investments includes gains and losses on investments bought and sold as well as held during the year. Investment income or loss is included in the change in net assets without donor restrictions unless their use is restricted by donor stipulations or by law.

Endowment Fund Management Policy

The Foundation adopted the guidance for accounting and disclosure of endowment funds, which requires that the amount classified as with donor restrictions in perpetuity shall be the amount of the fund (a) that must be retained permanently in accordance with explicit donor stipulations, or (b) that in the absence of such stipulations, determined by the organization's governing board, must be retained permanently consistent with the relevant law.

Property and Equipment

Property and equipment are recorded at historical cost or, if donated, such assets are capitalized at the estimated fair value at the date of receipt. Depreciation is computed using the straight-line method over the following estimated useful lives:

Office Facilities	10 to 30 Years
Furniture and Fixtures	3 to 10 Years
Automobiles and Equipment	3 to 10 Years

The Institute capitalizes fixed assets with a useful life greater than one year and with an individual original cost of $3,000 or greater. When assets are sold or disposed of, the cost and corresponding accumulated depreciation and amortization are removed from the books with any gain or loss recognized currently. Expenditures for repairs and maintenance are charged to expense as incurred.

Impairment of Long-Lived Assets

The Institute reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Institute and Foundation have been granted exemptions by the Internal Revenue Service (IRS) from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The IRS has also determined that the Institute is not a private foundation. Separate tax returns are filed for the Institute and Foundation. The Institute and Foundation are required to report unrelated business income to the IRS and Maryland, as well as pay certain other taxes to local jurisdictions.

The Institute and Foundation adopted the guidance for accounting for uncertainty in income taxes. Management has determined that the Institute has no material uncertain tax positions that would require recognition under the guidance.

Revenue Recognition

Publication Sales

Revenue from the sale of books is recognized at the time the sale occurs and the publications have been shipped to the customer.

Membership Dues and Subscriptions

Membership dues cycles are on an anniversary-date basis and are recognized ratably over the membership period since the memberships include a periodical received on a monthly basis. Members also receive access to the organization's online database, publication discounts, invitation to Institute events, and access to the periodical archive. Membership terms can be one year, three years, or a life membership which is recognized over 22 years.

Subscription revenue includes fees for a monthly periodical. The organization recognizes revenue from this service on a ratable basis over the contract term.

Advertising Income

Advertising revenues are recognized in the period when advertising is printed or placed in Institute publications. Amounts received in advance of printing are deferred as liabilities.

Conference Income

Conference revenue is recognized when the conference is held. Amounts received in advance of the event is considered deferred income.

Royalties

Royalties received in advance for publications and other receipts received in advance are deferred and recognized as revenue over the length of the royalty and other agreed upon terms. Advance royalties on unpublished manuscripts for books awaiting publication will offset future royalty payments when the manuscripts become part of a published product or will be expensed if the project is abandoned.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions, Grants, and Donated Assets Under ASC 958

Contributions, donated marketable securities, and other noncash donations received by the Foundation are presented at their fair values on the date of such gifts. Contributions are reported in accordance with the provisions of FASB ASC 958-605, which defines a contribution as an unconditional transfer of cash or other assets to an entity or a settlement or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as an owner.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Direct expenses are charged to program, overhead, or fundraising as needed. Payroll costs are charged directly to departments. The Organization then utilizes a common cost allocation methodology for expenses such as telephone, insurance, technology, depreciation, etc. and on a monthly basis allocates these costs based on a budgeted percentage for each department. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Description of Program and Supporting Services

The following programs and supporting services are included in the accompanying consolidated financial statements.

Publishing Costs

Includes costs of producing Proceedings which is an independent, open forum for articles from naval professionals and civilian contributors featuring current professional topics and issues. Also, Naval History magazine showcases historical topics with focus on the sea services. Additionally, the Naval Institute Press, which is the book-publishing arm of the Naval Institute publishes about seventy titles each year, ranging from books on navigation to battle histories, United States Naval Academy textbooks and reference books, biographies, ship and aircraft guides, and novels.

Conference Expenses

The Institute provides for various seminars and meetings throughout its fiscal year on current and historical topics. These meetings offer a concentrated opportunity for the exchange of ideas and discussion of key naval issues among naval professionals and others.

Royalties

Represent agreed-upon payments made by the Institute to various authors for their respective books. The amount of the royalty is based upon the actual sales of the respective books and any sales of subsidiary rights.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Projects

Represent various projects undertaken to advance the professional, literary, and scientific understanding of sea power and other issues critical to global security.

Other

Represent other expenses necessary to further the mission and policies of the Institute.

Administrative Costs

Includes the expenditures necessary to secure proper administrative functioning of the Institute including managing the financial and budgetary responsibilities of the Institute and supporting the board of directors.

Fundraising Expense

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

Membership Development

Membership development activities include soliciting for prospective members, membership relations, and similar activities.

Financial Instruments and Credit Risk

Financial instruments, which potentially subject the Institute to concentration of risk, consist principally of cash and investments. The Institute places its cash and investments with creditworthy financial institutions. At times, cash balances may exceed federally insured limits. The Institute has not experienced any losses in such accounts. Risk with respect to investments is generally limited, because by policy, the investments are kept within limits.

Risks and Uncertainties

The COVID pandemic continues to cause a significant impact to both global and local economies. This has the potential to negatively affect the Institute and Foundation’s business operations in ways that cannot be predicted or forecasted. Management believes it has taken steps to mitigate these risks and negative impacts. However, the full future impact of COVID cannot be reasonably estimated.

NOTE 2 INVESTMENTS

Investments consist of the following as of December 31:

	2020		2019	
	Cost	Market	Cost	Market
TIFF Multi-Asset Fund	$ 896,698	$ 1,044,380	$ 2,380,628	$ 2,356,930
Corporate Stock	1,115,546	3,398,082	1,115,546	4,089,599
Certificates of Deposit	36,960	36,960	36,941	36,941
Total	$ 2,049,204	$ 4,479,422	$ 3,533,115	$ 6,483,470

NOTE 2 INVESTMENTS (CONTINUED)

The following schedule summarizes the investment return for the years ended December 31:

	2020	2019
Investment Income	$ 141,990	$ 227,658
Realized/Unrealized Gain (Loss), Net	(554,104)	1,700,812
Total	$ (412,114)	$ 1,928,470

Investment income is net of management fees amounting to $9,114 and $13,132 in 2020 and 2019, respectively.

NOTE 3 FAIR VALUE MEASUREMENT

In determining fair value, the Institute uses valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets to which the Institute has access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets.
- quoted prices for identical or similar assets or liabilities in inactive markets.
- inputs other than quoted prices that are observable for the asset or liabilities.
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 3 FAIR VALUE MEASUREMENT (CONTINUED)

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 December 31, 2020 and 2019:

TIFF Multi-Asset Fund: The foundation is invested in the TIFF Investment Program (TIP) Multi-Asset Fund (MAF), a no-load mutual fund available primarily to foundations, endowments, and other 501(c)(3) organizations. TIFF Advisory Services, Inc. (TAS) serves as the investment advisor to the funds. MAF operates primarily on a multi-manager basis, and TAS has responsibility for the task of selecting money managers and other vendors for the fund as well as asset allocation. TIFF's investment team and boards recently updated MAF's Constructed Index (CI), a blended benchmark and policy portfolio. TAS believes that the CI is a relevant performance benchmark for both short- and long-term periods.

The TAS and TIP boards view the CI, in general, as an appropriate long-term asset mix for nonprofit organizations that seek to maintain the inflation-adjusted value of their assets while distributing 5% of these assets annually. The CI is also intended to help such organizations better assess MAF's performance by providing a comparison of the active strategies pursued by TAS and external managers versus the returns of relevant benchmarks. The current CI is a blended index comprised of the following three broad investment categories, weighted according to policy norms, with each category assigned a benchmark selected by TAS:

Equity-Oriented Assets, the primary long-term driver of portfolio returns, may include global equity, high yield bonds, resource-related equity, and REITs.

Diversifying Strategies, to generate meaningful returns while reducing equity market sensitivity, may include hedge funds, asset-backed securities, commodity futures, and opportunistic credit.

Fixed Income, to provide diversification, liquidity, and income, may include conventional bonds, TIPS, and cash.

Uncertainty and risk exists in that the fund may use leverage; invest in illiquid securities, non-US securities, small capitalization stocks, derivatives, and below investment grade bonds; and engage in short-selling. However, the Institute's exposure with respect to these investment activities is limited to its carrying amount in the investments. The Institute does not directly invest in the underlying securities of the investment funds, and due to restrictions on transferability and timing of withdrawals from the multi-asset fund, the amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions. These investments are classified as investments accounted for at net asset value per share and excluded from the fair market value hierarchy.

There were no unfunded commitments, and the redemption frequency and notice period were daily for the TIFF Multi-Asset fund for the years ended December 31, 2020 and 2019.

NOTE 3 FAIR VALUE MEASUREMENT (CONTINUED)

Certificates of Deposit: Certificates of deposit are generally valued at the most recent bid price of the equivalent quoted yield for such securities (or those of comparable maturity, quality, and type). The Institute's investments in certificates of deposit consist of securities earning a fixed interest rate with a maturity of longer than three months. The certificates of deposit are valued based on the cost of the security and the stated rate of interest the security is expected to yield. This investment is classified within Level 2 of the valuation hierarchy.

Corporate Stock: Corporate stocks listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and asked prices on such exchange. These investments are classified within Level 1 of the valuation hierarchy.

Below sets forth a table of assets measured at fair value as of December 31, 2020 and 2019.

	2020				
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices for Similar Assets and Liabilities in Active Markets (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value as of December 31, 2020	Total Investments as of December 31, 2020
Corporate Stock	$ 3,398,082	$ -	$ -	$ 3,398,082	$ 3,398,082
Certificates of Deposit	-	36,960	-	36,960	36,960
Investments Accounted for at Net Asset Value Per Share	-	-	-	-	1,044,380
Total	$ 3,398,082	$ 36,960	$ -	$ 3,435,042	$ 4,479,422

	2019				
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices for Similar Assets and Liabilities in Active Markets (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value as of December 31, 2019	Total Investments as of December 31, 2019
Corporate Stock	$ 4,089,599	$ -	$ -	$ 4,089,599	$ 4,089,599
Certificates of Deposit	-	36,941	-	36,941	36,941
Investments Accounted for at Net Asset Value Per Share	-	-	-	-	2,356,930
Total	$ 4,089,599	$ 36,941	$ -	$ 4,126,540	$ 6,483,470

Investments accounted for at fair value using the net asset value per share (or its equivalent as a practical expedient) are not categorized in the fair value hierarchy but rather shown only in the total column. There are no unfunded commitments, or restrictions on redemptions as to timing or the amount. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented as investments in the consolidated statements of financial position.

NOTE 4 INVENTORY

Inventory consists of the following at December 31:

	2020	2019
Publications Held for Sale	$ 2,971,141	$ 2,929,493
Prepublication Costs	183,988	215,034
Subtotal	3,155,129	3,144,527
Less: Allowance for Obsolete Inventory	590,289	398,832
Total	$ 2,564,840	$ 2,745,695

NOTE 5 CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable consist of the following at December 31:

	2020	2019
Unconditional Promises to Give	$ 7,181,546	$ 8,822,854
Less: Discount to Present Value	163,847	321,408
Subtotal	7,017,699	8,501,446
Less: Allowance for Uncollectible Amounts	249,002	69,002
Net Unconditional Promises to Give	$ 6,768,697	$ 8,432,444
Amounts Due in:		
Less Than One Year	$ 3,650,885	$ 3,441,513
One to Five Years	3,530,661	5,381,341
Total	$ 7,181,546	$ 8,822,854

The revenue related to multi-year contribution receivables are classified as revenue with donor restrictions in the accompanying consolidated statements of activities due to time restrictions. Discount rates ranging from 0.17% to 2.46% were used to calculate the net present value of pledges to be collected in one to five years.

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2020	2019
Office Facilities	$ 3,053,539	$ 3,053,539
Computer Equipment and Software	413,084	413,084
Furniture, Fixtures, and Office Equipment	567,737	558,448
Construction in Progress	20,209,365	3,088,221
Subtotal	24,243,725	7,113,292
Less: Allowance for Depreciation and Amortization	3,074,315	2,921,930
Total	$ 21,169,410	$ 4,191,362

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 was $152,385 and $172,698, respectively.

NOTE 7 LINE OF CREDIT

In September 2020, the Institute obtained a $7,000,000 line of credit with a national bank that expires in November 2025. The purpose of the financing arrangement is to supplement funding for construction of the conference center. Advances on the credit line accrue interest at the bank's prime rate and are secured by the Foundation's pledges receivable. The balance on the credit line was $-0- as of December 31, 2020.

NOTE 8 COMMITMENTS/CONTINGENCIES

Contract with Key Employees

The Institute has executed one employment contract with a key employee, which will continue unless terminated in accordance with the terms of the agreement. In the event of termination without cause, the Institute guarantees lump sum payments ranging from three months up to six months of the annual base salary plus a prorated amount of any annual performance bonus that would have been received in the year in which the employment was terminated.

Construction Commitments

The Institute entered into two construction contracts totaling $23,205,661 during 2019 for the construction of the conference center. At December 31, 2020, $8,399,418 remained due on the outstanding contracts. These commitments are to be funded with net asset with donor restrictions for the conference center of $7,830,592 and contributions receivable.

NOTE 9 REVENUE

The following table shows the Institute's revenue disaggregated according to the timing of the transfer of goods or services:

	2020	2019
Publication Sales	$ 4,287,507	$ 4,154,866
Advertising	428,297	506,478
Conference Income	1,057,409	899,649
Total Revenue Recognized as a Point in Time	$ 5,773,213	$ 5,560,993
Revenue Recognized Over Time:		
Membership Dues and Subscriptions	$ 1,646,424	$ 1,776,930
Royalties	139,037	150,293
Total Revenue Recognized Over Time	$ 1,785,461	$ 1,927,223

NOTE 10 CONTRACT LIABILITIES

The Institute's contract liabilities consist of:

	2020	2019
Deferred Revenue:		
Deferred Revenue- Membership Dues and Subscriptions	$ 1,947,491	$ 2,131,228
Deferred Revenue- Conferences	50,000	60,000
Deferred Revenue - Miscellaneous	154,455	-
Deferred Revenue- Royalties	-	40,912
Total Deferred Revenue	$ 2,151,946	$ 2,232,140

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	2020	2019
Subject to Expenditure for Specific Purpose:		
Conference Center	$ 7,830,592	$ 19,813,444
Essay Contests	2,150,147	2,266,461
Proceedings	868,782	1,151,340
Naval History	1,268	106,639
Sponsored Student Program	407,197	378,486
Subvention/Gordon England Chair	46,877	99,964
Conferences	26,001	75,260
USNI News/Technology	10,278	43,799
Oral History	167,434	215,002
Library/Photo/Archives	4,496	1,085
Total Subject to Expenditure for Specific Purpose	11,513,072	24,151,480
Subject to Passage of Time:		
For Periods after December 31:	996,866	1,060,321
Total Subject to Passage of Time	996,866	1,060,321
Subject to Endowment:		
General Program Support Endowment	440,291	409,575
Essay Contests Endowment	371,299	345,396
Oral History Endowment	109,311	101,685
Library/Photo Endowment	65,475	60,908
Total Subject to Endowment	986,376	917,564
Total Net Assets with Donor Restrictions	$ 13,496,314	$ 26,129,365

NOTE 12 ENDOWMENT

The Institute's endowment consists of individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of the Institute has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Institute classifies its funds to be held in perpetuity as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as in perpetuity is classified as net assets with donor restriction based on time or purpose until those amounts are appropriated for expenditure per the transfer spending policy approved by the Institute's Board of Trustees. In accordance with MUPMIFA, the Institute considers the following factors in determining whether to appropriate or accumulate donor-restricted endowment funds.

1. The duration and preservation of the fund
2. The purpose 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

Return Objectives and Risk Parameters

The Institute has invested its endowment assets in a manner that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce approximately 5% greater than the rate of inflation as measured by the Consumer Price Index, and above the median of the Lipper Peer Universes. Actual returns in a given year may vary from this amount.

Spending Policies of the Endowments

The Institute has a spending policy of appropriating for distribution up to 5% of its total endowment balance over the calendar year. The earnings from the endowment shall be expended in a manner consistent with the terms under which the funds were provided or donated to the endowment.

In establishing this policy, the Foundation considered the long-term expected returns on its endowment investments. Accordingly, over the long-term, the Foundation expects the current spending policy will allow its endowment to retain the original fair value of the gift.

NOTE 12 ENDOWMENT (CONTINUED)

Spending Policies of the Endowments (Continued)

Endowment Net Asset Composition by Type of Fund as of December 31:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted			
Subject to Spending Policy	$ -	$ 89,693	$ 89,693
Funds Held in Perpetuity	-	896,683	896,683
Total	$ -	$ 986,376	$ 986,376

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted			
Subject to Spending Policy	$ -	$ 20,881	$ 20,881
Funds Held in Perpetuity	-	896,683	896,683
Total	$ -	$ 917,564	$ 917,564

The following table represents the changes in endowment net assets at December 31:

	2020			
		With Donor Restrictions		
	Without Donor Restrictions	Subject to Organizations Spending Policy	To Be Held In Perpetuity	Total
Endowment Net Assets - Beginning of Year	$ -	$ 20,881	$ 896,683	$ 917,564
Investment Return	-	120,728	-	120,728
Transfers	-	-	-	-
Appropriations of Endowment Assets for Expenditure	-	(51,916)	-	(51,916)
Total	$ -	$ 89,693	$ 896,683	$ 986,376

	2019			
		With Donor Restrictions		
	Without Donor Restrictions	Subject to Organizations Spending Policy	To Be Held In Perpetuity	Total
Endowment Net Assets - Beginning of Year	$ -	$ (123,770)	$ 1,059,651	$ 935,881
Investment Return	-	145,750	-	145,750
Transfers	-	-	(162,968)	(162,968)
Appropriations of Endowment Assets for Expenditure	-	(1,099)	-	(1,099)
Total	$ -	$ 20,881	$ 896,683	$ 917,564

NOTE 13 PENSION PLAN

The Institute has responsibility for a legacy defined benefit pension plan (the Plan) that covers certain of its employees who worked at the Institute prior to 2003. The Plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service and compensation rates near retirement. Contributions to the Plan reflect benefits attributed to employees' services to date, as well as benefits expected to be earned in the future. Plan assets consist of fixed-income funds.

The Institute's funding policy is to make contributions to the extent required by the Employee Retirement Income Security Act.

The Plan was amended to freeze benefits accrued as of June 1, 2003. No further benefits accrue to participants and no employee of the Institute who was not already a participant in the Plan as of June 1, 2003 became a participant after that date. The Institute continues in a multi-year plan to wind down the pension plan and intends to fully fund and file to terminate the Plan in the next few years.

The following is a summary of the funded status of the Plan as of December 31, the key assumptions used by the Plan's actuary, and the cost to the Institute of providing retirement benefits.

Change in Benefit Obligations

	2020	2019
Benefit Obligation - Beginning of Year	$ (3,773,930)	$ (3,424,412)
Interest Cost	(133,537)	(153,016)
Actuarial (Loss) Gain	(234,746)	(362,009)
Actual Distributions	263,667	165,507
Settlement (Loss)	-	-
Benefit Obligation - End of Year	$ (3,878,546)	$ (3,773,930)

Change in Plan Assets

	2020	2019
Plan Assets at Fair Value - Beginning of Year	$ 2,616,282	$ 2,502,168
Actual Return on Plan Assets	94,157	126,621
Actual Employer Contributions	500,000	153,000
Settlement - Amount Paid	-	-
Actual Distributions	(263,667)	(165,507)
Plan Assets at Fair Value - End of Year	$ 2,946,772	$ 2,616,282
Unfunded Pension Obligation	$ (931,774)	$ (1,157,648)

NOTE 13 PENSION PLAN (CONTINUED)

Change in Plan Assets (Continued)

Components of net periodic pension benefit cost and changes in the Plan's net assets:

	2020	2019
Interest Cost	$ 133,537	$ 153,016
Expected Return on Plan Assets	(126,968)	(121,187)
Amortization of Net Loss	234,039	213,386
Other Changes in Net Assets	33,518	143,189
Net Periodic Pension Cost and Changes in Plan Assets	$ 274,126	$ 388,404

The discount rate and expected rate of return on plan assets are critical assumptions which significantly affect pension accounting. Even relatively small changes in these rates would significantly change the recorded pension expense and accrued liability. Management believes the discount rate used in determining its year-end pension accounting is reasonable based on current available information provided by an independent actuarial firm. The expected rate of return on plan assets is determined by the plan assets' historical long-term returns by asset class. However, it is at least reasonably possible that these assumed rates will be revised in the near term, based on future events and changes in circumstances.

Weighted average assumptions used to determine the benefit obligation and net periodic benefit cost are as follows for the years ended December 31:

	2020	2019
Benefit Obligation:		
Discount Rate	2.95%	3.65%
Expected Return on Plan Assets	5.00%	5.00%
Net Periodic Benefit Cost:		
Discount Rate	3.65%	4.57%
Expected Return on Plan Assets	5.00%	5.00%

Contributions

The Institute expects to make at least the minimum contribution of $57,525 to the pension plan in fiscal year 2020.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid for the years ended December 31:

Year Ended December 31,	Amount
2021	$ 208,962
2022	217,760
2023	218,293
2024	219,772
2025	219,123
Thereafter	1,145,558
Total	$ 2,229,468

NOTE 13 PENSION PLAN (CONTINUED)

Plan Assets

The Plan's weighted average asset allocations by asset category are as follows at December 31:

	2020	2019
Mutual Funds	99.0%	96.0%
Accrued Income	0.0%	0.0%
Cash and Equivalents	1.0%	4.0%
Total	100.0%	100.0%

The fair values of the Institute's pension plan assets at December 31, 2020, by asset category, are as follows:

Mutual funds listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and asked prices on such exchange. The Plan's interests in such investments are categorized as mutual funds. Such securities are classified within Level 1 of the valuation hierarchy.

The following tables sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of:

December 31, 2020	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 2,930,755	$ -	$ -	$ 2,930,755
Cash and Cash Equivalents	16,017	-	-	16,017
Total Assets at Fair Value	$ 2,946,772	$ -	$ -	$ 2,946,772

December 31, 2019	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 2,502,484	$ -	$ -	$ 2,502,484
Cash and Cash Equivalents	113,798	-	-	113,798
Total Assets at Fair Value	$ 2,616,282	$ -	$ -	$ 2,616,282

Defined Contribution Plan

Upon freezing the above mentioned defined benefit plan in 2003, the Institute initiated a defined contribution 403(b) plan available to employees in which it matches 50% of participating employees' contributions up to 8% of eligible compensation. During 2020 and 2019, the Institute's share of contributions to this Plan was $135,070 and $142,989, respectively.

NOTE 14 CONCENTRATIONS

The Foundation received a significant amount of its contributions from a concentrated number of donors in both 2020 and 2019. For the years ended December 31, 2020 and 2019, three donors' contributions comprised 35% and 34% of total contribution revenue, respectively.

NOTE 15 LIQUIDITY

The Institute has $16,966,388 and $28,407,733 of financial assets on the balance sheet as of December 31, 2020 and 2019, respectively. A portion of these financial assets are subject to time or purpose restrictions and are not available for general expenditure within one year for the years ended December 31, 2020 and 2019. The Institute attempts to maintain sufficient cash on hand to meet 30 days of normal operating expenses and will draw upon investment funds without donor restrictions in the event of an unanticipated liquidity need. Financial assets as of December 31 consisted of:

	2020	2019
Cash	$ 4,518,437	$ 12,533,607
Investments	4,479,422	6,483,470
Accounts Receivable	1,199,832	958,212
Contributions Receivable	6,768,697	8,432,444
Financial Assets - End of Year	16,966,388	28,407,733
Less Those Unavailable for General Expenditures Within One Year Due to:		
Restricted by Donor - Time	(996,866)	(1,060,321)
Restricted by Donor - Purpose	(11,513,072)	(24,151,480)
Endowment	(896,683)	(896,683)
Subtotal	(13,406,621)	(26,108,484)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 3,559,767	$ 2,299,249

NOTE 16 SUBSEQUENT EVENTS

Subsequent to year-end, the Institute drew $2,000,000 from the line of credit referenced in the preceding Note 7. The draw was made to fund construction costs related to the conference center, and it aligns with management's purpose for obtaining the credit line. Repayments will be made through collection of its pledges receivable.

Management also evaluated all other subsequent events through April 23, 2021, the date the consolidated financial statements were available to be issued. Events or transactions occurring after December 31, 2020, but prior to April 23, 2021, that provided additional evidence about conditions that existed at December 31, 2020, have been recognized in the consolidated financial statements for the year ended December 31, 2020.