

**LUDWIG VON MISES INSTITUTE
FOR AUSTRIAN ECONOMICS, INC.**

Financial Statements

December 31, 2022 and 2021

Ludwig von Mises Institute for Austrian Economics, Inc.
Auburn, Alabama
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ludwig von Mises Institute for Austrian Economics, Inc.
Auburn, Alabama

Opinion

We have audited the accompanying financial statements of Ludwig von Mises Institute for Austrian Economics, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 Ludwig von Mises Institute for Austrian Economics, Inc. as of December 31, 2022 and 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.

Basis for Opinion

We conducted our audits 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 Ludwig von Mises Institute for Austrian Economics, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ludwig von Mises Institute for Austrian Economics, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

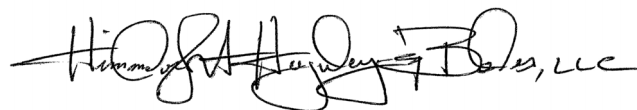
Auditors' Responsibilities for the Audit of the Financial Statements

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 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 Ludwig von Mises Institute for Austrian Economics, Inc.'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 Ludwig von Mises Institute for Austrian Economics, Inc.'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.



Himmelwright, Huguley & Boles, LLC
Auburn, Alabama
December 18, 2023

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 6,776,160	\$ 6,814,693
Restricted cash	360,986	447,048
Accounts receivable	574	318,241
Bequests receivable	3,244,475	873,098
Certificates of deposit options	14,000,000	14,000,000
Restricted investments held in gift annuities	153,809	153,455
Inventory, net	165,046	167,787
Prepaid expenses	99,139	59,362
	<u>24,800,189</u>	<u>22,833,684</u>
Property and equipment		
Land, buildings and improvements	7,406,062	7,521,404
Computer and office equipment	190,121	175,855
Furniture and fixtures	354,877	354,877
Software	362,162	362,162
Construction in progress	151,135	91,211
	<u>8,464,357</u>	<u>8,505,509</u>
Less accumulated depreciation	<u>(4,532,823)</u>	<u>(4,373,454)</u>
Property and equipment, net	3,931,534	4,132,055
Deposits and other assets		
Digital assets	6,606	7,318
Investments	281,823	99,289
Restricted investments	19,448,144	16,400,201
Life estate bequested	838,590	868,217
Beneficial interest in charitable remainder trusts	840,000	840,000
	<u>352,549</u>	<u>406,619</u>
Total assets	<u>\$ 50,499,435</u>	<u>\$ 45,587,383</u>

The notes to the financial statements are an integral part of this statement.

	2022	2021
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 138,081	\$ 117,133
Current portion of liabilities associated with gift annuities	2,490	2,490
Current portion of deferred revenue	3,008	3,008
	<u>143,579</u>	<u>122,631</u>
Noncurrent liabilities		
Note payable	100,000	100,000
Deferred revenue	152,381	155,389
	<u>252,381</u>	<u>255,389</u>
Liabilities associated with gift annuities, less current portion	<u>23,027</u>	<u>22,340</u>
Total liabilities	418,987	400,360
Net assets		
Without donor restrictions	47,689,903	42,630,081
With donor restrictions		
Time restricted for future periods	838,420	835,058
Purpose restricted	352,549	493,817
Endowment fund	1,199,576	1,228,067
	<u>2,390,545</u>	<u>2,556,942</u>
Total net assets	<u>50,080,448</u>	<u>45,187,023</u>
 Total liabilities and net assets	 <u><u>\$ 50,499,435</u></u>	 <u><u>\$ 45,587,383</u></u>

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Statement of Activities
Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and other support			
Contributions	\$ 11,290,147	\$ 3,008	\$ 11,293,155
Sales and publications	392,413	-	392,413
Conference and seminar fees	173,380	-	173,380
Graduate program	49,031	12,508	61,539
Other program service fees	82	-	82
Total revenue and other support before release of restrictions	11,905,053	15,516	11,920,569
Net assets released from temporary restrictions	99,706	(99,706)	-
Total revenue and other support	12,004,759	(84,190)	11,920,569
Disbursements and expenses			
Program services	5,997,395	-	5,997,395
General and administrative	424,719	-	424,719
Fundraising	555,877	-	555,877
Total expenses	6,977,991	-	6,977,991
Change in net assets before other income (expense)	5,026,768	(84,190)	4,942,578
Nonoperating income (expense)			
Interest and dividends	326,317	1,292	327,609
Change in value in beneficial interest in charitable remainder trusts	-	(54,070)	(54,070)
Changes in value in reserve for charitable gift annuities	-	354	354
Change in value of liabilities associated with gift annuities	(3,176)	-	(3,176)
Unrealized (loss) gain on investments	30,055	(29,783)	272
Realized gain on investments	881	-	881
Loss on impairment of digital assets	(263,575)		(263,575)
Rental income, net of expenses	12,299	-	12,299
Loss on disposal of property and equipment	(110,217)	-	(110,217)
Other support and income	40,470	-	40,470
Total other income (expense)	33,054	(82,207)	(49,153)
Change in net assets	5,059,822	(166,397)	4,893,425
Net assets - beginning of year	42,630,081	2,556,942	45,187,023
Net assets - end of year	\$ 47,689,903	\$ 2,390,545	\$ 50,080,448

The notes to the financial statements are an integral part of this statement.

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Statement of Activities
Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and other support			
Contributions	\$ 7,056,336	\$ 3,008	\$ 7,059,344
Sales and publications	478,681	-	478,681
Conference and seminar fees	142,726	-	142,726
Graduate program	38,646	54,725	93,371
Other program service fees	238	-	238
Total revenue and other support before release of restrictions	7,716,627	57,733	7,774,360
Net assets released from temporary restrictions	115,880	(115,880)	-
Total revenue and other support	7,832,507	(58,147)	7,774,360
Disbursements and expenses			
Program services	4,424,576	-	4,424,576
General and administrative	380,527	-	380,527
Fundraising	479,001	-	479,001
Total expenses	5,284,104	-	5,284,104
Change in net assets before other income (expense)	2,548,403	(58,147)	2,490,256
Nonoperating income (expense)			
Interest and dividends	190,077	9,244	199,321
Change in value in beneficial interest in charitable remainder trusts	-	16,248	16,248
Change in value in reserve for charitable gift annuities	-	350	350
Change in value of liabilities associated with gift annuities	14,437	-	14,437
Unrealized gain on investments	(256,997)	3,073	(253,924)
Realized gain on investments	312,900	-	312,900
Rental income, net of expenses	(2,928)	-	(2,928)
Other support and income	383,197	-	383,197
Total other income (expense)	640,686	28,915	669,601
Change in net assets	3,189,089	(29,232)	3,159,857
Net assets - beginning of year	39,440,992	2,586,174	42,027,166
Net assets - end of year	\$ 42,630,081	\$ 2,556,942	\$ 45,187,023

The notes to the financial statements are an integral part of this statement.

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Statement of Functional Expenses

Year ended December 31, 2022

	Program Services	General and Administrative	Fundraising	Total
Academic outreach	\$ 84,148	\$ -	\$ -	\$ 84,148
Academy	1,077	-	-	1,077
Accounting and legal fees	-	42,915	-	42,915
Bank and investment fees	12,817	8,455	-	21,272
Bookstore	172,550	-	-	172,550
Computer networking	32,908	293	439	33,640
Conferences and conventions	811,489	-	-	811,489
Consulting	11,475	-	-	11,475
Cost of goods sold	214,692	-	-	214,692
Depreciation	237,442	2,110	3,166	242,718
Development	-	-	140,502	140,502
Employee benefits	131,978	21,116	22,876	175,970
Employee training	13,111	2,098	2,273	17,482
Equipment rental	13,389	-	-	13,389
Graduate program	381,564	-	-	381,564
Grants	636,718	-	-	636,718
Insurance	63,678	23,680	5,616	92,974
Interest	-	8,000	-	8,000
Library	7,901	-	-	7,901
Miscellaneous	49,575	6,885	-	56,460
Occupancy	42,007	374	560	42,941
Payroll taxes	148,734	23,798	25,781	198,313
Publications	682,342	-	-	682,342
Publicity	15,126	-	45,378	60,504
Repairs and maintenance	119,186	1,060	1,589	121,835
Salaries	1,773,051	283,688	307,329	2,364,068
Shipping and postage	1,723	-	-	1,723
Supplies	15,012	134	199	15,345
Telephone	12,715	113	169	12,997
Travel	95,446	-	-	95,446
Website	215,541	-	-	215,541
	<u>\$ 5,997,395</u>	<u>\$ 424,719</u>	<u>\$ 555,877</u>	<u>\$ 6,977,991</u>

The notes to the financial statements are an integral part of this statement.

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Statement of Functional Expenses

Year ended December 31, 2021

	Program Services	General and Administrative	Fundraising	Total
Academic outreach	\$ 65,552	\$ -	\$ -	\$ 65,552
Academy	3,863	-	-	3,863
Accounting and legal fees	-	47,573	-	47,573
Bank and investment fees	6,436	4,246	-	10,682
Bookstore	129,360	-	-	129,360
Computer networking	26,295	234	351	26,880
Conferences and conventions	523,730	-	-	523,730
Consulting	4,960	-	-	4,960
Cost of goods sold	226,563	-	-	226,563
Depreciation	243,117	2,161	3,242	248,520
Development	-	-	124,914	124,914
Employee benefits	109,366	17,499	18,957	145,822
Employee training	10,404	1,665	1,803	13,872
Equipment rental	33,003	-	-	33,003
Graduate program	115,880	-	-	115,880
Grants	79,462	-	-	79,462
Insurance	62,223	19,897	3,645	85,765
Interest	-	8,000	-	8,000
Library	5,865	-	-	5,865
Miscellaneous	40,558	5,633	-	46,191
Occupancy	34,045	303	454	34,802
Payroll taxes	93,771	15,003	16,254	125,028
Publications	544,714	-	-	544,714
Publicity	9,619	-	28,859	38,478
Repairs and maintenance	152,207	1,354	2,029	155,590
Salaries	1,604,172	256,668	278,057	2,138,897
Shipping and postage	1,568	-	-	1,568
Supplies	18,115	161	241	18,517
Telephone	14,666	130	195	14,991
Travel	62,580	-	-	62,580
Website	202,482	-	-	202,482
	<u>\$ 4,424,576</u>	<u>\$ 380,527</u>	<u>\$ 479,001</u>	<u>\$ 5,284,104</u>

The notes to the financial statements are an integral part of this statement.

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Statements of Cash Flows
Years ended December 31, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	\$ 4,893,425	\$ 3,159,857
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	242,718	248,520
Payroll tax refund	(4,985)	(317,700)
Noncash contribution in digital assets	(182,534)	(46,202)
Loss on disposal of property and equipment	110,217	-
Interest and dividends	(327,609)	(199,321)
Net realized and unrealized gains on investments	(1,153)	(58,976)
Change in investments held in gift annuities	(354)	(350)
Change in value in beneficial interests	54,070	(16,248)
Changes in operating assets and liabilities		
Accounts receivable	322,652	(186)
Bequest receivable	(2,371,377)	955,700
Inventory	2,741	(16,397)
Prepaid expenses	(39,777)	5,435
Deposits and other assets	712	(3,310)
Accounts payable and accrued expenses	20,948	(103,828)
Liabilities associated with gift annuities	687	(19,477)
Deferred revenue	(3,008)	(3,008)
Net cash provided by operating activities	<u>2,717,373</u>	<u>3,584,509</u>
Investing Activities		
Proceeds from sale of investments	278,012	833,074
Purchases of investments	(2,967,566)	(655,820)
Purchases of property and equipment	(152,414)	(71,158)
Net cash (used in)/provided by investing activities	<u>(2,841,968)</u>	<u>106,096</u>
Net (decrease)/increase in cash and cash equivalents	(124,595)	3,690,605
Cash, cash equivalents and restricted cash- beginning of year	<u>7,261,741</u>	<u>3,571,136</u>
Cash, cash equivalents and restricted cash - end of year	7,137,146	7,261,741
Less restricted cash	<u>360,986</u>	<u>447,048</u>
Cash and cash equivalents - end of year	<u><u>\$ 6,776,160</u></u>	<u><u>\$ 6,814,693</u></u>

The notes to the financial statements are an integral part of this statement.

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Ludwig von Mises Institute for Austrian Economics, Inc. (the Institute) is organized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Its primary function is to promote the ideas of Ludwig von Mises and his work through the collection of contributions, the awarding of fellowships, and the publishing and distribution of his works. The Institute's primary sources of revenue are contributions from the public, book sales, and registration fees from conferences and seminars.

Basis of Accounting

The financial statements of the Institute have been prepared in accordance with accounting principles generally accepted in the United States of America. The Institute recognizes income when earned rather than when received and recognizes expenses when incurred rather than when paid. In preparing the financial statements, management evaluated subsequent events through December 18, 2023, the date the financial statements were available to be issued.

Estimates

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

Basis of Financial Statement Presentation

The Institute reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Without donor restrictions are those currently available at the direction of the Board of Directors (the Board) for use in the Institute's operations or invested in property and equipment.

With donor restrictions are those which are stipulated by donors for specific operating purposes and those that are time restricted, or those required to be held in perpetuity. Endowment funds held in perpetuity are held and managed in accordance with donor stipulations.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restriction.

Cash and Cash Equivalents

The Institute considers all instruments with an original maturity of three months or less to be cash and cash equivalents. Cash equivalents consist of money market securities stated at amortized cost which approximates fair value. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. These amounts represent actual account balances held by financial institutions at the end of the period, and unlike the balance reported in the financial statements, the account balances do not reflect timing delays inherent in reconciling items such as outstanding checks and deposits in transit. The Institute has never experienced any losses related to these balances.

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Notes to Financial Statements

December 31, 2022 and 2021

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventory

Inventory consists of publications, media, and memorabilia and is stated at the lower of cost, as determined by the first-in, first-out (FIFO) method, or market. The Institute estimates potential obsolescence in inventory held at year end based on knowledge of products, the industry, and current market conditions. The reserve for inventory obsolescence totaled \$254,998 and \$180,591 at December 31, 2022 and 2021, respectively.

Investments

Investments with readily determinable fair values are recorded at fair market value. Investments without readily determinable fair values are recorded at cost, or if impaired, at estimated realizable value. The Institute's investments as of December 31, 2022 and 2021 consisted primarily of marketable debt and equity securities, certificates of deposits, and precious metals held at banks or bonded warehouses.

The Board and management of the Institute have interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent donor stipulations to the contrary. As a result of this interpretation, the Institute classifies permanent endowment funds as net assets with donor restrictions (a) the original value of gifts donated to the endowment funds and (b) the value of subsequent contributions to the endowment funds and accumulations to the permanent endowment funds made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with SPMIFA, 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 funds, (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, and (7) the investment policies of the Institute.

The Investment Committee is charged with the fiduciary responsibility of preserving and augmenting the value of the endowments, included in investments, thereby sustaining the ability to generate financial support to further the mission of the Institute. The Institute has adopted investment and spending policies for endowment assets that attempt 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, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that cover the payouts, administrative expenses, plus the rate of inflation while assuming a moderate level of investment risk.

Investments have been classified as non-current assets in the statement of financial position as it is the intention of management to hold the investments for a period greater than one year as of December 31, 2022 and 2021.

Property and Equipment

Property and equipment are carried at cost or, if donated, the approximate fair value at the date of donation, less accumulated depreciation and include expenditures which substantially increase the useful lives of existing property and equipment. Maintenance, repairs, and minor renovations are recorded as expenses as they are incurred. When property and equipment are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the respective accounts and any gain or loss on the disposition is credited or charged to income.

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Notes to Financial Statements

December 31, 2022 and 2021

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Property and Equipment - Continued

Historically, all assets with estimated useful lives exceeding one year and exceeding \$2,500 are capitalized. The Institute provides for depreciation of property and equipment using the straight-line method designed to amortize costs over the following estimated useful lives: buildings and improvements, 5 to 40 years; computer and office equipment, 5 to 15 years; furniture and fixtures, 5 to 7 years; and software, 3 years. Depreciation expense totaled \$242,718 and \$248,520 for the year ended December 31, 2022 and 2021, respectively.

Beneficial Interest in Charitable Remainder Trust, Gift Annuities, and Life Estates

The Institute is a full or partial beneficiary of charitable remainder trusts, gift annuities, and life estates. These charitable gift annuities are recorded at the Institute's fair value of the underlying investments, less the present value of future cash outflows to lifetime annuitants or specified time period beneficiaries. Charitable remainder trusts are recorded at the fair value of the underlying investments since the beneficiary is no longer receiving distributions. The life estates are valued at the current appraised value with an offsetting amount charged to deferred revenue over the estimated remaining life of the estate.

The Institute was named as a grantee of a life estate on August 30, 2019. The Institute recorded this life estate as an investment valued at \$840,000. A portion of the life estate will be amortized over the estimated remaining life of the life estate (estimated at 55 years). Deferred revenue totaling \$165,416 was recorded as of August 30, 2019, representing the portion of the life estate that the Institute will have full control over in the future. During the year ended December 31, 2022 and 2021, revenue totaling \$3,008 and \$3,008, respectively, was recorded in the accompanying Statements of Activities. Deferred revenue totaled \$155,389 and \$158,397 at December 31, 2022 and 2021.

Income Taxes

The Institute is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3), except to the extent that it has taxable income from businesses that are not related to its tax-exempt purpose. Unrelated business income, if there was any, would be taxed at the applicable corporate income tax rate. The Institute did not have any unrelated business income during the years ended December 31, 2022 and 2021, and accordingly, no provision for income taxes has been made in the financial statements.

The Institute is not currently under examination by any taxing jurisdiction. For the years ended December 31, 2022 and 2021, there were no interest or penalties associated with tax positions recorded in the accompanying financial statements.

Fair Value

The established framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price the Institute would expect to receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date.

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 that the Institute has the ability to access.

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Notes to Financial Statements

December 31, 2022 and 2021

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fair value - Continued

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 liability.
- Inputs which 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 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 maximize the use of observable inputs and minimize the use of unobservable inputs.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation. The reclassification had no effect on total net assets or the change in net assets as of and for the year ended December 31, 2021, as previously reported.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The following table reflects the Institute's financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year. Such amounts include those set aside for long-term investing. However, amounts already appropriated from the donor-restricted endowment within one year have not been subtracted as unavailable.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consisted of the following at December 31, 2022 and 2021:

	2022	2021
Financial assets	\$ 46,297,110	\$ 41,220,861
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions	1,199,576	1,315,265
Charitable remainder trusts, gift annuities, and life estates	1,190,969	1,241,677
Investments held for long term use	19,368,981	16,139,640
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 24,537,584</u>	<u>\$ 22,524,279</u>

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Notes to Financial Statements

December 31, 2022 and 2021

(Continued)

NOTE 3 - FAIR VALUE

The following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in the methodologies used during the years ended December 31, 2022 and 2021.

- *Money Market Funds*: Valued at amortized cost which approximates fair value.
- *Marketable Equity Securities*: Valued at the closing price reported on the active markets on which the individual securities are traded.
- *Mutual Funds*: Valued based on quoted market prices.
- *Certificates of Deposit*: Valued at amortized cost which approximates fair value. All certificates of deposit have four-week maturities.
- *Precious Metals (held at banks or bonded warehouses)*: Valued at the closing price reported on the active markets on which the individual items are traded.
- *Investment in Life Estate*: Investments in life estates are valued based upon an appraisal performed by a licensed appraiser on, or near, the date of donation.
- *Beneficial Interest in Charitable Remainder Trusts (CRT)*: CRTs are valued at the pro rata share of the market value of the underlying assets.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management 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.

The following table sets forth, by level within the fair value hierarchy, the Institute's investment assets at fair value as of December 31, 2022:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 1,781,820	\$ 1,781,820	\$ -	\$ -
Marketable equity securities	2,870,057	2,870,057	-	-
Mutual funds	10,340,832	10,340,832	-	-
Certificates of deposit	14,153,809	14,153,809	-	-
Precious metals, held at banks or bonded warehouses	7,075,845	7,075,845	-	-
Life estate bequested	840,000	840,000	-	-
Total investments	35,280,543	35,280,543	-	-
Beneficial interest in charitable remainder trusts	352,549	-	-	352,549
Total beneficial interests	352,549	-	-	352,549
	\$ 37,414,912	\$ 37,062,363	\$ -	\$ 352,549

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Notes to Financial Statements

December 31, 2022 and 2021

(Continued)

NOTE 3 - FAIR VALUE - Continued

The following table sets forth, by level within the fair value hierarchy, the Institute's investment assets at fair value as of December 31, 2021:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 1,283,168	\$ 1,283,168	\$ -	\$ -
Marketable equity securities	2,227,699	2,227,699	-	-
Mutual funds	10,039,825	10,039,825	-	-
Certificates of deposit	14,153,455	14,153,455	-	-
Precious metals, held at banks or bonded warehouses	5,000,894	5,000,894	-	-
Life estate bequested	840,000	840,000	-	-
Total investments	32,261,873	32,261,873	-	-
Beneficial interest in charitable remainder trusts	406,619	-	-	406,619
Total beneficial interests	406,619	-	-	406,619
	<u>\$ 33,951,660</u>	<u>\$ 33,545,041</u>	<u>\$ -</u>	<u>\$ 406,619</u>

The following table sets forth a summary of changes in the fair value of the Institute's level three investment assets for the years ended December 31, 2022 and 2021:

	Beneficial Interest in Charitable Remainder Trusts
Balance - December 31, 2020	\$ 390,371
Change in value	16,248
Balance - December 31, 2021	406,619
Change in value	(54,070)
Balance - December 31, 2022	<u>\$ 352,549</u>

NOTE 4 - ENDOWMENT

The Institute's endowment consists of donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Notes to Financial Statements

December 31, 2022 and 2021

(Continued)

NOTE 4 – ENDOWMENT - Continued

Changes in endowment net assets consisted of the following during the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
With Donor Restrictions		
Endowment nets assets - beginning of year	\$ 1,228,067	\$ 1,215,750
Investment income	1,292	9,244
Realized and unrealized gains, net	(29,783)	3,073
Total investment return	<u>(28,491)</u>	<u>12,317</u>
Endowment net assets - end of year	<u>\$ 1,199,576</u>	<u>\$ 1,228,067</u>

A description of amounts of net assets classified as with donor restrictions (endowment only) consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net assets with donor restrictions:		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA	<u>\$ 1,199,576</u>	<u>\$ 1,228,067</u>

Endowment assets are invested to result in an inflation-protected rate of return that has sufficient liquidity to make an annual distribution while growing the funds if possible. Actual returns in any given year will vary. To satisfy its long-term, rate-of-return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level necessary to maintain the purchasing power of the original gift plus additions. Deficiencies of this nature, called underwater endowment funds, resulted from unfavorable market fluctuations and continued appropriation for certain programs that were deemed prudent by the Institute's Board of Directors. Endowment funds consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Fair value of assets	\$ 1,199,576	\$ 1,228,067
Original gift plus additions	<u>1,149,375</u>	<u>1,149,375</u>
	<u>\$ 50,201</u>	<u>\$ 78,692</u>

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Notes to Financial Statements

December 31, 2022 and 2021

(Continued)

NOTE 5 - BEQUEST RECEIVABLE

The Institute was bequeathed the residual value of a donor's estate in 2018. The Institute has received approximately \$11.8 million from this estate between October 2019 and December 2022. Approximately \$1.3 million and \$1.3 million were received during the years ended December 31, 2022 and 2021, respectively. In June 2023, the Institute received an estimate of the estate's net distributable cash totaling \$1,944,475.

In November 2022, the Institute was bequeathed the residual value of a donor's estate with net distributable cash estimated to total \$1,300,000 as of December 31, 2022. The net distributable cash is expected to be received in early 2024.

Bequest receivables are recorded in the accompanying Statement of Financial Position as of December 31, 2022 and 2021 and totaled \$3,244,475 and \$873,098, respectively.

NOTE 6 - DIGITAL ASSETS

During the year ended December 31, 2022 and 2021, the Institute reported digital assets balances totaling \$281,823 and \$99,289, respectively. The Institute accounts for such noncash consideration at the time contributions and transactions occur, recording the current quoted market value price of the digital assets. Digital assets are currently considered indefinite-lived intangible assets under applicable accounting rules, meaning that any decrease in the fair values, not considered temporary, below the Institute's carrying value for such assets at any time subsequent to the acquisition will require recognition of impairment charges. A loss on impairment was recognized for the year ended December 31, 2022 totaling \$263,575 in order to report the digital assets at fair market value as of December 31, 2022. There was no impairment charged noted for the year ended December 31, 2021.

NOTE 7 - NOTE PAYABLE

The Institute has a \$100,000 note payable to a charitable trust, bearing interest at 8.00% annually. Interest is waived annually per a signed agreement dated November 1, 1998. Under the terms of the agreement, the note will be forgiven upon the death of the creators of the Trust. The Trust has the right to demand repayment of the note with a six-month notice.

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Notes to Financial Statements

December 31, 2022 and 2021

(Continued)

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets were available for the following purposes at December 31, 2022 and 2021:

	2022	2021
Subject to expenditure for a specific purpose:		
Graduate program	\$ -	\$ 87,198
	-	87,198
Investment in perpetuity, which, once appropriated, is expendable to:		
Scholarships	1,199,576	1,228,067
Beneficial interests in various trusts and gift annuities to support:		
Operating purposes	352,549	406,619
Other	838,420	835,058
	<u>1,190,969</u>	<u>1,241,677</u>
	<u>\$ 2,390,545</u>	<u>\$ 2,556,942</u>

NOTE 9 - RETIREMENT PLAN

The Institute makes contributions for its employees to a defined contribution retirement plan. The Institute makes matching contributions to employee accounts at the rate of 100% for the first 1% of salary contributed and 50% of the next 5% of salary contributed, resulting in a match up to 3.5% on 6% of contributed salary. Full-time employees and part-time employees working over 20 hours per week are eligible for participation in the plan on the first day of employment and are fully vested after one year of participation. Employer contributions to the plan totaled \$64,332 and \$54,458 during the years ended December 31, 2022 and 2021, respectively.

NOTE 10 - FUNCTIONAL EXPENSES

The financial statements contain certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee benefits, payroll taxes, repairs and maintenance and depreciation. Management determined based on the nature of the Institute's operations and organizational structure, that the principal drivers of expenses are employees' time and square footage of office space. Therefore, the estimated time spent by each employee for each functional expense is used as the basis for allocating salaries, employee benefits and payroll taxes, and the square footage of office space is used as the basis for allocating repairs and maintenance and depreciation.

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Notes to Financial Statements

December 31, 2022 and 2021

(Continued)

NOTE 11 - REFUNDED PAYROLL TAXES

The Institute qualified to receive a refund of previously paid payroll taxes as part of the Employee Retention Tax Credit, an incentive originally created to encourage employers to keep employees on payroll during 2020 and 2021. During 2022, the Institute determined that it qualified and filed the appropriate payroll tax returns necessary to claim the refund of payroll taxes. The estimated net amount of the refund that the Institute qualified for totaled \$317,700. As of December 31, 2021, the Institute recorded the total amount of the refunded payroll taxes as a receivable in the accompanying Statement of Financial Position. In the accompanying Statement of Activities for the year ended December 31, 2021, the Institute recorded the refunded payroll taxes as other income. The Institute collected the refunded payroll taxes during 2022.