

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

Financial Statements

December 31, 2020 and 2019

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
Statements of Financial Position	5
Statements of Activities	7
Statements of Cash Flows.....	9
Notes to Financial Statements	10

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Ludwig von Mises Institute for Austrian Economics, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the 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, 2020, the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Himmelwright | Huguley | Boles, LLC". The signature is stylized and cursive.

Auburn, Alabama
October 26, 2021

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Statements of Financial Position

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 3,624,223	\$ 2,990,411
Accounts receivable	355	-
Bequests receivable	1,828,798	147,273
Certificates of deposit	14,000,000	6,962,252
Inventory, net	151,390	156,197
Prepaid expenses	64,797	60,500
	<u>19,669,563</u>	<u>10,316,633</u>
Property and equipment		
Land, buildings and improvements	7,448,252	7,365,278
Computer and office equipment	189,566	258,794
Furniture and fixtures	403,370	373,157
Software	362,162	362,162
Construction in progress	89,315	78,075
	<u>8,492,665</u>	<u>8,437,466</u>
Less accumulated depreciation	<u>(4,183,248)</u>	<u>(4,030,721)</u>
Property and equipment, net	4,309,417	4,406,745
Deposits and other assets	4,008	2,729
Investments	17,187,375	13,281,469
Investments held in gift annuities	153,105	152,403
Life estate bequested	840,000	840,000
Beneficial interest in charitable remainder trusts	390,371	369,276
	<u>\$42,553,839</u>	<u>\$29,369,255</u>
Total assets		

See notes to financial statements.

	<u>2020</u>	<u>2019</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 220,961	\$ 119,696
Current portion of liabilities associated with gift annuities	8,768	16,329
Current portion of deferred revenue	3,008	3,008
	<u>232,737</u>	<u>139,033</u>
Noncurrent liabilities		
Note payable	100,000	100,000
Deferred revenue	158,397	161,405
	<u>258,397</u>	<u>261,405</u>
Liabilities associated with gift annuities, less current portion	<u>35,539</u>	<u>55,916</u>
Total liabilities	526,673	456,354
Net assets		
Without donor restrictions	38,932,376	26,009,837
With donor restrictions		
Time restricted for future periods	831,700	825,363
Purpose restricted	1,047,340	874,484
Endowment fund	1,215,750	1,203,217
	<u>3,094,790</u>	<u>2,903,064</u>
Total net assets	<u>42,027,166</u>	<u>28,912,901</u>
 Total liabilities and net assets	 <u>\$42,553,839</u>	 <u>\$29,369,255</u>

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Statement of Activities
Year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and other support			
Contributions	\$ 14,635,418	\$ 3,008	\$ 14,638,426
Sales and publications	408,204	-	408,204
Conference and seminar fees	90,988	-	90,988
Graduate program	15,686	204,245	219,931
Total revenue and other support before release of restrictions	15,150,296	207,253	15,357,549
Net assets released from temporary restrictions	205,892	(205,892)	-
Total revenue and other support	15,356,188	1,361	15,357,549
Disbursements and expenses			
Program services	4,376,574	-	4,376,574
General and administrative	370,866	-	370,866
Fundraising	443,008	-	443,008
Total expenses	5,190,448	-	5,190,448
Change in net assets before other income (expense)	10,165,740	1,361	10,167,101
Nonoperating income (expense)			
Interest and dividends	201,894	12,001	213,895
Change in value in beneficial interest in charitable remainder trusts	-	21,095	21,095
Changes in value in reserve for charitable gift annuities	-	3,329	3,329
Change in value of liabilities associated with gift annuities	13,869	-	13,869
Unrealized gain on investments	2,459,761	153,940	2,613,701
Realized gain on investments	82,985	-	82,985
Rental income, net of expenses	(27,161)	-	(27,161)
Loss on disposal of property and equipment	(5,300)	-	(5,300)
Other support and income	30,751	-	30,751
Total other income (expense)	2,756,799	190,365	2,947,164
Change in net assets	12,922,539	191,726	13,114,265
Net assets - beginning of year	26,009,837	2,903,064	28,912,901
Net assets - end of year	<u>\$ 38,932,376</u>	<u>\$ 3,094,790</u>	<u>\$ 42,027,166</u>

See notes to financial statements.

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Statement of Activities
Year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and other support			
Contributions	\$ 8,859,088	\$ 675,587	\$ 9,534,675
Sales and publications	303,332	-	303,332
Conference and seminar fees	102,914	-	102,914
Other program service fees	124	-	124
Total revenue and other support before release of restrictions	9,265,458	675,587	9,941,045
Net assets released from temporary restrictions	16,999	(16,999)	-
Total revenue and other support	9,282,457	658,588	9,941,045
Disbursements and expenses			
Program services	3,403,647	-	3,403,647
General and administrative	373,291	-	373,291
Fundraising	539,221	-	539,221
Total expenses	4,316,159	-	4,316,159
Change in net assets before other income (expense)	4,966,298	658,588	5,624,886
Nonoperating income (expense)			
Interest and dividends	196,999	31,584	228,583
Change in value in beneficial interest in charitable remainder trusts	-	41,142	41,142
Change in value of liabilities associated with gift annuities	(12,395)	-	(12,395)
Unrealized loss on investments	1,719,110	119,596	1,838,706
Realized gain on investments	96,154	-	96,154
Rental income, net of expenses	12,769	-	12,769
Other support and income	60,621	-	60,621
Total other income (expense)	2,073,258	192,322	2,265,580
Change in net assets	7,039,556	850,910	7,890,466
Net assets - beginning of year	18,970,281	2,052,154	21,022,435
Net assets - end of year	<u>\$ 26,009,837</u>	<u>\$ 2,903,064</u>	<u>\$ 28,912,901</u>

See notes to financial statements.

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Statements of Cash Flows

Years ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	\$ 13,114,265	\$ 7,890,466
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	244,835	255,631
Loss on disposal of property and equipment	5,300	-
Interest and dividends	(213,895)	(228,583)
Net realized and unrealized gains on investments	(2,696,686)	(1,934,860)
Change in investments held in gift annuities	(702)	(2,627)
Change in value in beneficial interests	(21,095)	(41,142)
Changes in operating assets and liabilities		
Accounts receivable	(355)	-
Bequest receivable	(1,681,525)	241,051
Inventory	4,807	44
Prepaid expenses	(4,297)	(23,045)
Deposits and other assets	(1,279)	356
Accounts payable and accrued expenses	101,265	(78,176)
Liabilities associated with gift annuities	(27,938)	(2,292)
Deferred revenue	(3,008)	164,413
Net cash provided by operating activities	8,819,692	6,241,236
Investing Activities		
Proceeds from sale of investments	-	346,098
Purchases of investments	(8,044,313)	(6,617,485)
Purchases of property and equipment	(141,567)	(41,247)
Net cash used in investing activities	(8,185,880)	(6,312,634)
Net increase/(decrease) in cash and cash equivalents	633,812	(71,398)
Cash and cash equivalents - beginning of year	2,990,411	3,061,809
Cash and cash equivalents - end of year	\$ 3,624,223	\$ 2,990,411

See notes to financial statements.

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

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. In preparing the financial statements, management evaluated subsequent events through October 26, 2021, 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.

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.

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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 \$132,670 and \$115,491 at December 31, 2020 and 2019, 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, 2020 and 2019 consisted primarily of marketable debt and equity securities, certificates of deposits, and precious metals held at banks or bonded warehouses.

Investments which are permanently restricted consist of perpetual endowment accounts held and managed in accordance with donor stipulations.

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.

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments - Continued

The Financial Advisory 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, 2020 and 2019.

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. 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.

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, 2020 and 2019, revenue totaling \$3,008 and \$1,003, respectively, was recorded in the accompanying statement of activities. Deferred revenue totaled \$161,405 and \$164,413 at December 31, 2020 and 2019.

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2020 and 2019, 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, 2020 and 2019, 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.

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.

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2019, 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets	\$ 36,260,226	\$ 17,841,332
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions	1,872,719	1,708,425
Charitable remainder trusts, gift annuities, and life estates	1,222,071	1,194,639
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 33,165,436</u>	<u>\$ 14,938,268</u>

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, 2020 and 2019.

- *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.

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(Continued)

NOTE 3 - FAIR VALUE - Continued

- *Limited Partnerships*: Valued based on the net asset value of the investment (or its equivalent) without further adjustment (unless management determines that the net asset value is deemed to be not reflective of fair value) since the limited partnerships are investment companies that have calculated net asset value per share in accordance with the specialized accounting guidance for investment companies. The fair value of the Institute's investments in limited partnerships generally represents the amount the Institute would expect to receive if it were to liquidate its investment in the partnerships excluding any redemption charges that may apply.
- *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, 2020:

	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	\$ 965,201	\$ 965,201	\$ -	\$ -
Marketable equity securities	1,262,662	1,262,662	-	-
Mutual funds	10,786,624	10,786,624	-	-
Certificates of deposit	14,153,105	14,153,105	-	-
Precious metals, held at banks or bonded warehouses	5,138,089	5,138,089	-	-
Life estate bequested	840,000	840,000	-	-
Total investments	<u>32,180,480</u>	<u>32,180,480</u>	-	-
Beneficial interest in charitable remainder trusts	390,371	-	-	390,371
Total beneficial interests	<u>390,371</u>	-	-	390,371
	<u>\$ 33,536,052</u>	<u>\$ 33,145,681</u>	<u>\$ -</u>	<u>\$ 390,371</u>

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(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, 2019:

	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	\$ 1,024,961	\$ 1,024,961	\$ -	\$ -
Marketable equity securities	728	728	-	-
Mutual funds	9,538,447	9,538,447	-	-
Certificates of deposit	7,114,655	7,114,655	-	-
Precious metals, held at banks or bonded warehouses	3,737,107	3,737,107	-	-
Life estate bequested	840,000	840,000	-	-
Limited partnerships	5,187	-	5,187	-
Total investments	<u>21,236,124</u>	<u>21,230,937</u>	<u>5,187</u>	<u>-</u>
Beneficial interest in charitable remainder trusts	369,276	-	-	369,276
Total beneficial interests	<u>369,276</u>	<u>-</u>	<u>-</u>	<u>369,276</u>
	<u>\$ 22,630,361</u>	<u>\$ 22,255,898</u>	<u>\$ 5,187</u>	<u>\$ 369,276</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, 2020 and 2019:

	Beneficial Interest in Charitable Remainder Trusts
Balance - December 31, 2018	\$ 328,134
Change in value	41,142
Balance - December 31, 2019	<u>369,276</u>
Change in value	21,095
Balance - December 31, 2020	<u>\$ 390,371</u>

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(Continued)

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.

Changes in endowment net assets consisted of the following during the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
With Donor Restrictions		
Endowment nets assets - beginning of year	\$ 1,203,217	\$ 1,067,944
Investment income	8,593	15,677
Realized and unrealized gains, net	153,940	119,596
Scholarships	(150,000)	-
Total investment return	<u>12,533</u>	<u>135,273</u>
Endowment net assets - end of year	<u>\$ 1,215,750</u>	<u>\$ 1,203,217</u>

A description of amounts of net assets classified as with donor restrictions (endowment only) consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</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>\$ 1,215,750</u>	<u>\$ 1,203,217</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.

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(Continued)

NOTE 4 – ENDOWMENT - Continued

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Fair value of assets	\$ 1,215,750	\$ 1,203,217
Original gift plus additions	<u>1,149,375</u>	<u>1,149,375</u>
	<u>\$ 66,375</u>	<u>\$ 53,842</u>

NOTE 5 – BEQUEST RECEIVABLE

The Institute was bequeathed the residual value of a donor's estate in 2018. In October 2019, the Institute received approximately \$1.5 million from the estate and recorded this as a contribution in the accompanying statement of activities when it was received. In March 2020, the Institute received approximately \$7.7 million. The Institute received an estimate of the estate's net distributable cash totaling \$873,099. In June 2020, the Institute was bequeathed the residual value of another donor's estate and received \$652,355 in November 2020. The estate's net distributable cash was estimated to total \$955,699 as of December 31, 2020. Both bequest receivables are recorded in the accompanying balance sheet as of December 31, 2020 and totaled \$1,828,798.

NOTE 6 - 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, 2020 and 2019

(Continued)

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets were available for the following purposes at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for a specific purpose:		
Graduate program	\$ 148,353	\$ -
Special projects	508,616	505,208
	<u>656,969</u>	<u>505,208</u>
Investment in perpetuity, which, once appropriated, is expendable to:		
Scholarships	1,215,750	1,203,217
Beneficial interests in various trusts and gift annuities to support:		
Operating purposes	390,371	369,276
Other	831,700	825,363
	<u>1,222,071</u>	<u>1,194,639</u>
	<u>\$ 3,094,790</u>	<u>\$ 2,903,064</u>

NOTE 8 - 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 \$53,657 and \$51,593 during the years ended December 31, 2020 and 2019, respectively.

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(Continued)

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The Institute leases office equipment under a noncancelable operating lease agreement expiring in April 2024. The Institute also leases bookstore warehouse space under an operating lease agreement which expired in March 2021. Rent expense incurred under these operating lease agreements totaled \$34,901 and \$30,857 during the years ended December 31, 2020 and 2019, respectively. Future amounts due under the noncancelable operating lease agreements consisted of the following at December 31, 2020:

2021	\$	14,831
2022		4,241
2023		4,241
2024		1,415
	\$	<u>24,728</u>

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, 2020 and 2019

(Continued)

NOTE 10 - FUNCTIONAL EXPENSES – Continued

The expenses of the Institute, by function, for the year ended December 31, 2020 are as follows:

	Program Services	General and Administrative	Fundraising	Total
Academic outreach	\$ 68,141	\$ -	\$ -	\$ 68,141
Academy	2,770	-	-	2,770
Accounting and legal fees	-	43,127	-	43,127
Bank and investment fees	5,536	1,643	-	7,179
Bookstore	123,390	-	-	123,390
Computer networking	24,281	216	324	24,821
Conferences and conventions	379,261	-	-	379,261
Consulting	13,000	-	-	13,000
Cost of goods sold	181,867	-	-	181,867
Depreciation	239,512	2,129	3,194	244,835
Development	-	-	104,617	104,617
Employee benefits	126,983	20,317	22,010	169,310
Employee training	10,295	1,647	1,784	13,726
Equipment rental	52,754	-	-	52,754
Graduate program	55,892	-	-	55,892
Grants	77,737	-	-	77,737
Insurance	48,693	18,138	3,965	70,796
Interest	-	8,000	-	8,000
Library	8,192	-	-	8,192
Miscellaneous	100,447	13,949	-	114,396
Occupancy	37,234	331	497	38,062
Payroll taxes	112,874	18,060	19,565	150,499
Publications	818,172	-	-	818,172
Publicity	7,439	-	23,039	30,478
Repairs and maintenance	95,213	847	1,269	97,329
Salaries	1,514,238	242,278	262,468	2,018,984
Shipping and postage	1,973	-	-	1,973
Supplies	15,834	66	99	15,999
Telephone	13,296	118	177	13,591
Travel	2,586	-	-	2,586
Uncollectible bequests	47,273	-	-	47,273
Website	191,691	-	-	191,691
	<u>\$ 4,376,574</u>	<u>\$ 370,866</u>	<u>\$ 443,008</u>	<u>\$ 5,190,448</u>

LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(Continued)

NOTE 10 - FUNCTIONAL EXPENSES – Continued

The expenses of the Institute, by function, for the year ended December 31, 2019 are as follows:

	Program Services	General and Administrative	Fundraising	Total
Academic outreach	\$ 62,932	\$ -	\$ -	\$ 62,932
Academy	26,734	-	-	26,734
Accounting and legal fees	-	52,006	-	52,006
Bank and investment fees	6,166	1,830	-	7,996
Bookstore	83,939	-	-	83,939
Computer networking	20,918	186	279	21,383
Conferences and conventions	480,409	-	-	480,409
Consulting	13,077	-	-	13,077
Cost of goods sold	88,789	-	-	88,789
Depreciation	250,074	2,222	3,335	255,631
Development	-	-	140,745	140,745
Employee benefits	130,345	23,867	29,374	183,586
Employee training	9,536	1,746	2,149	13,431
Equipment rental	21,157	-	-	21,157
Grants	149,231	-	-	149,231
Insurance	46,801	18,932	4,465	70,198
Interest	-	8,000	-	8,000
Library	21,290	-	-	21,290
Miscellaneous	29,858	4,147	-	34,005
Occupancy	36,828	327	491	37,646
Payroll taxes	98,316	18,001	22,155	138,472
Publications	229,750	-	-	229,750
Publicity	12,323	-	38,163	50,486
Repairs and maintenance	62,227	553	829	63,609
Salaries	1,317,995	241,323	297,013	1,856,331
Shipping and postage	3,340	-	-	3,340
Supplies	13,539	56	85	13,680
Telephone	10,403	95	138	10,636
Travel	11,572	-	-	11,572
Website	166,098	-	-	166,098
	<u>\$ 3,403,647</u>	<u>\$ 373,291</u>	<u>\$ 539,221</u>	<u>\$ 4,316,159</u>