

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

Financial Statements

December 31, 2019 and 2018

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## 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, 2019 and 2018, 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.

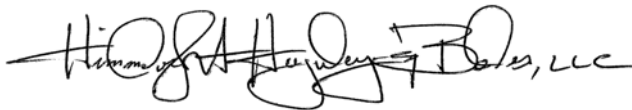
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## 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, 2019, 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.

## Prior Period Financial Statements

The financial statements as of December 31, 2018 were audited by a predecessor auditor, whose report, dated October 4, 2019, expressed an unmodified opinion on those financial statements. The predecessor auditor emphasized that the Institute adopted the new accounting guidance in Accounting Standards Updates (ASU) 2016-14.



Auburn, Alabama  
September 30, 2020

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

Statements of Financial Position

December 31, 2019 and 2018

	2019	2018
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 2,990,411	\$ 3,061,809
Bequests receivable	147,273	388,324
Inventory, net	156,197	156,241
Prepaid expenses	60,500	37,455
	3,354,381	3,643,829
Property and equipment		
Land, buildings and improvements	7,365,278	7,344,986
Computer and office equipment	258,794	490,459
Furniture and fixtures	373,157	396,373
Software	362,162	362,162
Construction in progress	78,075	76,075
	8,437,466	8,670,055
Less accumulated depreciation	(4,030,721)	(4,048,926)
Property and equipment, net	4,406,745	4,621,129
Deposits and other assets	2,729	3,085
Investments	20,243,721	12,648,891
Investments held in gift annuities	152,403	149,776
Investment in life estate	840,000	-
Beneficial interest in charitable remainder trusts	369,276	328,134
	\$ 29,369,255	\$ 21,394,844

See notes to financial statements.

	<u>2019</u>	<u>2018</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 119,696	\$ 197,872
Current portion of liabilities associated with gift annuities	16,329	16,329
Current portion of deferred revenue	3,008	-
	<u>139,033</u>	<u>214,201</u>
Noncurrent liabilities		
Note payable	100,000	100,000
Deferred revenue	161,405	-
	<u>261,405</u>	<u>100,000</u>
Liabilities associated with gift annuities, less current portion	55,916	58,208
Net assets		
Without donor restrictions	26,009,837	18,970,281
With donor restrictions	2,903,064	2,052,154
	<u>28,912,901</u>	<u>21,022,435</u>
	<u>\$ 29,369,255</u>	<u>\$ 21,394,844</u>

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

Statement of Activities  
Year ended December 31, 2019

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Operating revenues and other support</b>			
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
<b>Disbursements and expenses</b>			
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
<b>Change in net assets before other income (expense)</b>	4,966,298	658,588	5,624,886
<b>Nonoperating income (expense)</b>			
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 gain 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	\$ 26,009,837	\$ 2,903,064	\$ 28,912,901

See notes to financial statements.

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

Statement of Activities  
Year ended December 31, 2018

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Operating revenues and other support</b>			
Contributions	\$ 4,030,050	\$ -	\$ 4,030,050
Sales and publications	269,280	-	269,280
Conference and seminar fees	85,500	-	85,500
Other program service fees	1,796	-	1,796
Total revenue and other support before release of restrictions	4,386,626	-	4,386,626
Net assets released from temporary restrictions	15,100	(15,100)	-
Total revenue and other support	4,401,726	(15,100)	4,386,626
<b>Disbursements and expenses</b>			
Program services	3,110,669	-	3,110,669
General and administrative	344,921	-	344,921
Fundraising	482,216	-	482,216
Total expenses	3,937,806	-	3,937,806
<b>Change in net assets before other income (expense)</b>	463,920	(15,100)	448,820
<b>Nonoperating income (expense)</b>			
Interest and dividends	112,810	18,757	131,567
Change in value in beneficial interest in charitable remainder trusts	-	(55,542)	(55,542)
Change in value of liabilities associated with gift annuities	(11,899)	-	(11,899)
Unrealized loss on investments	(879,947)	(54,852)	(934,799)
Realized gain on investments	209,963	-	209,963
Rental income, net of expenses	20,508	-	20,508
Gain on disposal of property and equipment	1,365	-	1,365
Other support and income	30,969	-	30,969
Total other income (expense)	(516,231)	(91,637)	(607,868)
Change in net assets	(52,311)	(106,737)	(159,048)
Net assets - beginning of year	19,022,592	2,158,891	21,181,483
Net assets - end of year	\$ 18,970,281	\$ 2,052,154	\$ 21,022,435

See notes to financial statements.



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

Statements of Cash Flows

Years ended December 31, 2019 and 2018

	2019	2018
<b>Operating Activities</b>		
Change in net assets	\$ 7,890,466	\$ (159,048)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	255,631	264,552
Gain on disposal of property and equipment	-	(1,365)
Interest and dividends	(228,583)	(131,567)
Net realized and unrealized gains on investments	(1,934,860)	724,836
Change in investments held in gift annuities	(2,627)	-
Change in value in beneficial interests	(41,142)	55,542
Changes in operating assets and liabilities		
Bequest receivable	241,051	(268,324)
Inventory	44	(18,223)
Prepaid expenses	(23,045)	(35,459)
Deposits and other assets	356	(2)
Accounts payable and accrued expenses	(78,176)	28,659
Liabilities associated with gift annuities	(2,292)	(3,379)
Deferred revenue	164,413	-
Net cash provided by operating activities	6,241,236	456,222
<b>Investing Activities</b>		
Proceeds from sale of investments	346,098	226,834
Purchases of investments	(6,617,485)	(45,348)
Purchases of property and equipment	(41,247)	(98,538)
Net cash (used in)/provided by investing activities	(6,312,634)	82,948
Net (decrease)/increase in cash and cash equivalents	(71,398)	539,170
Cash and cash equivalents - beginning of year	3,061,809	2,522,639
Cash and cash equivalents - end of year	\$ 2,990,411	\$ 3,061,809

See notes to financial statements.

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

Notes to Financial Statements

December 31, 2019 and 2018

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of Activities**

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 September 30, 2020, 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, 2019 and 2018

(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 \$115,491 and \$134,074 at December 31, 2019 and 2018, 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, 2019 and 2018 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, 2019 and 2018

(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, 2019 and 2018.

**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 charged to income as 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 the amount of \$1,000 are capitalized. Effective January 1, 2019, the Institute increased the capitalization threshold to \$2,500. 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, 2019, amortization expense totaling \$1,003 was recorded in the accompanying statement of activities. Deferred revenue totaled \$164,413 at December 31, 2019.

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

Notes to Financial Statements

December 31, 2019 and 2018

(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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018

(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, 2018, 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets	\$ 24,803,584	\$ 16,614,389
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions	1,708,425	1,574,244
Charitable remainder trusts, gift annuities, and life estates	1,194,639	477,910
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 21,900,520</u>	<u>\$ 14,562,235</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, 2019 and 2018.

- *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.
- *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, 2019 and 2018

(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.

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

Notes to Financial Statements

December 31, 2019 and 2018

(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:

	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
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	-	-
Investment in life estate	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>



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

Notes to Financial Statements

December 31, 2019 and 2018

(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, 2018:

	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Money market funds	\$ 1,641,458	\$ 1,641,458	\$ -	\$ -
Marketable equity securities	1,355	1,355	-	-
Mutual funds	8,051,962	8,051,962	-	-
Certificates of deposit	1,598,161	1,598,161	-	-
Precious metals, held at banks or bonded warehouses	3,140,273	3,140,273	-	-
Limited partnerships	6,916	-	6,916	-
Total investments	<u>12,798,667</u>	<u>12,791,751</u>	<u>6,916</u>	<u>-</u>
Beneficial interest in charitable remainder trusts	328,134	-	-	328,134
Total beneficial interests	<u>328,134</u>	<u>-</u>	<u>-</u>	<u>328,134</u>
	<u>\$ 14,768,259</u>	<u>\$ 14,433,209</u>	<u>\$ 6,916</u>	<u>\$ 328,134</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, 2019 and 2018:

	<b>Beneficial Interest in Charitable Remainder Trusts</b>
Balance - December 31, 2017	\$ 383,676
Change in value	<u>(55,542)</u>
Balance - December 31, 2018	328,134
Change in value	<u>41,142</u>
Balance - December 31, 2019	<u>\$ 369,276</u>

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

Notes to Financial Statements

December 31, 2019 and 2018

(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, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
<b>With Donor Restrictions</b>		
Endowment nets assets - beginning of year	\$ 1,067,944	\$ 1,116,067
Investment income	15,677	6,729
Realized and unrealized gains, net	119,596	(54,852)
Total investment return	135,273	(48,123)
Endowment net assets - end of year	\$ 1,203,217	\$ 1,067,944

A description of amounts of net assets classified as with donor restrictions (endowment only) consisted of the following at December 31, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
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	\$ 1,203,217	\$ 1,067,944

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, 2019 and 2018

(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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Fair value of assets	\$ 1,203,217	\$ 1,067,944
Original gift plus additions	1,149,375	1,149,375
	<u>\$ 53,842</u>	<u>\$ (81,431)</u>

**NOTE 5 – BEQUEST IN ESTATE**

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. As of December 31, 2019, the estate was not fully liquidated and the remaining residual value was not determinable. In March 2020, the Institute received approximately \$7.7 million. As of the date of the report, the full amount of the residual value of the estate continues to be undeterminable.

**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, 2019 and 2018

(Continued)

**NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS**

Donor restricted net assets were available for the following purposes at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for a specific purpose:		
Scholarships	\$ -	\$ 17,000
Special projects	505,208	489,300
	<u>505,208</u>	<u>506,300</u>
Investment in perpetuity, which, once appropriated, is expendable to:		
Scholarships	1,203,217	1,067,944
Beneficial interests in various trusts and gift annuities to support:		
Operating purposes	369,276	328,134
Other	825,363	149,776
	<u>1,194,639</u>	<u>477,910</u>
	<u>\$ 2,903,064</u>	<u>\$ 2,052,154</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 six months of participation. Employer contributions to the plan totaled \$51,593 and \$43,872 during the years ended December 31, 2019 and 2018, respectively.

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

Notes to Financial Statements

December 31, 2019 and 2018

(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 expiring in March 2021. Rent expense incurred under these operating lease agreements totaled \$30,857 and \$30,720 during the years ended December 31, 2019 and 2018, respectively. Future amounts due under the noncancelable operating lease agreements consisted of the following at December 31, 2019:

2020	\$	31,001
2021		10,931
2022		4,241
2023		4,241
2024		1,060
	\$	<u>51,474</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, 2019 and 2018

(Continued)

**NOTE 10 - FUNCTIONAL EXPENSES – Continued**

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

	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
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
	<b>\$ 3,403,647</b>	<b>\$ 373,291</b>	<b>\$ 539,221</b>	<b>\$ 4,316,159</b>

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

Notes to Financial Statements

December 31, 2019 and 2018

(Continued)

**NOTE 10 - FUNCTIONAL EXPENSES – Continued**

The expenses of the Institute, by function, for the year ended December 31, 2018 are as follows:

	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Academic outreach	\$ 54,581	\$ -	\$ -	\$ 54,581
Academy	23,059	-	-	23,059
Accounting and legal fees	-	49,581	-	49,581
Bank and investment fees	6,052	1,796	-	7,848
Bookstore	88,736	-	-	88,736
Computer networking	19,878	177	265	20,320
Conferences and conventions	455,278	-	-	455,278
Consulting	23,875	-	-	23,875
Cost of goods sold	69,266	-	-	69,266
Depreciation	258,801	2,300	3,451	264,552
Development	-	-	121,221	121,221
Employee benefits	119,026	21,794	26,823	167,643
Employee training	4,021	736	906	5,663
Equipment rental	11,259	-	-	11,259
Grants	87,980	-	-	87,980
Insurance	44,630	21,535	4,541	70,706
Library	37,915	-	-	37,915
Miscellaneous	29,386	4,081	-	33,467
Occupancy	38,233	340	510	39,083
Payroll taxes	89,345	16,359	20,134	125,838
Publications	129,276	-	-	129,276
Publicity	8,297	-	25,695	33,992
Repairs and maintenance	82,750	736	1,103	84,589
Salaries	1,230,519	225,306	277,300	1,733,125
Shipping and postage	2,112	-	-	2,112
Supplies	29,960	125	187	30,272
Telephone	6,024	55	80	6,159
Travel	5,827	-	-	5,827
Website	154,583	-	-	154,583
	<b>\$ 3,110,669</b>	<b>\$ 344,921</b>	<b>\$ 482,216</b>	<b>\$ 3,937,806</b>