

**THE CLIFTON INSTITUTE, INC.**

**Warrenton, Virginia**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2018 and 2017**

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# **SCHEULEN, PATCHETT & EDWARDS, P.C.**

Certified Public Accountants and Consultants

98 Alexandria Pike, Suite 22

Warrenton, Virginia 20186-2849

(540) 347-5144

Fax (540) 341-4935

GEORGE D. SCHEULEN, CPA  
WILLIAM T. PATCHETT JR., CPA  
WENDY L. EDWARDS, CPA

Members  
American Institute of  
Certified Public Accountants

Virginia Society of  
Certified Public Accountants

## **INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To the Board of Directors  
The Clifton Institute, Inc.  
Warrenton, Virginia

We have reviewed the accompanying financial statements of The Clifton Institute, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.



### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

### **Summarized Comparative Information**

We previously reviewed The Clifton Institute, Inc.'s 2017 financial statements and in our conclusion dated November 27, 2018, stated that based on our review, we were not aware of any material modifications that should be made to the 2017 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2018, for it to be consistent with the reviewed financial statements from which it has been derived.

*Schulen, Patchett & Edwards, P.C.*

Warrenton, Virginia  
November 29, 2019

The Clifton Institute, Inc.  
Statements of Financial Position  
December 31, 2018 and 2017

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 124,639	\$ 227,801
Cash restricted to specified programs	21,792	6,476
Accounts receivable	12,765	2,885
Prepaid expenses	10,733	9,282
Investments	2,492,177	2,814,146
Construction in progress	123,522	215,004
Property and equipment, net of accumulated depreciation	476,121	461,003
Conservation lands	4,187,509	3,839,246
<b>TOTAL ASSETS</b>	<b>\$ 7,449,258</b>	<b>\$ 7,575,843</b>
 <b>LIABILITIES</b>		
Accounts payable	56,243	5,479
Accrued liabilities	21,325	31,167
Securities based loan	211,000	-
<b>TOTAL LIABILITIES</b>	<b>288,568</b>	<b>36,646</b>
 <b>NET ASSETS</b>		
Without donor restrictions	7,138,898	7,532,721
With donor restrictions	21,792	6,476
<b>TOTAL NET ASSETS</b>	<b>7,160,690</b>	<b>7,539,197</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 7,449,258</b>	 <b>\$ 7,575,843</b>

See accompanying notes and independent accountant's review report.

The Clifton Institute, Inc.  
Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2018  
(with comparative totals for the year ended December 31, 2017)

	2018			Summarized Total
	Without Donor Restrictions	With Donor Restrictions	Total	2017
Support and revenues				
Contributions	\$ 142,528	\$ 29,893	\$ 172,421	\$ 79,949
Program fees	7,271	-	7,271	20,456
Other income	1,985	-	1,985	2,000
Total support and revenues before net investment return and assets released from restrictions	151,784	29,893	181,677	102,405
Investment return, net	(158,374)	-	(158,374)	223,246
Assets released from restriction	14,577	(14,577)	-	-
Total support and revenues	7,987	15,316	23,303	325,651
Expenses				
Program Services				270,562
Education	155,108	-	155,108	-
Research	62,485	-	62,485	-
Restoration	73,843	-	73,843	-
Core Mission Support				
Management and General	97,585	-	97,585	78,954
Fundraising	12,789	-	12,789	1,929
Total expense	401,810	-	401,810	351,445
Change in net assets	(393,823)	15,316	(378,507)	(25,794)
NET ASSETS AT BEGINNING OF YEAR	7,532,721	6,476	7,539,197	7,564,991
NET ASSETS AT END OF YEAR	\$ 7,138,898	\$ 21,792	\$ 7,160,690	\$ 7,539,197

See accompanying notes and independent accountant's review report.



The Clifton Institute, Inc.  
Statement of Functional Expenses  
For the Year Ended December 31, 2018  
(with comparative totals for the year ended December 31, 2017)

	Program Services			Core mission support		Total 12/31/2018	Summarized Total 12/31/2017
	Education	Research	Restoration	General & Admin.	Fundraising		
Bank charges and fees	11	-	-	202	-	213	190
Board expense	-	-	-	317	-	317	183
Communications	2,697	1,313	578	3,339	87	8,014	8,582
Depreciation	11,740	5,716	2,515	1,220	378	21,569	20,212
Dues & subscriptions	66	-	-	519	-	585	543
Employee benefits	4,402	1,926	4,421	15,155	1,071	26,975	15,632
Information technology	423	66	120	2,973	1	3,583	-
Insurance	7,078	3,444	1,515	2,797	228	15,062	15,760
Interest	886	432	190	92	29	1,629	-
Livestock	765	392	164	79	25	1,425	1,482
Meals and lodging	-	-	-	-	-	-	373
Office expense	1,140	343	586	353	23	2,445	505
Outside services	10,980	4,202	7,814	3,718	528	27,242	44,368
Payroll taxes	4,756	1,818	2,755	2,932	504	12,765	9,422
Postage & freight	117	43	10	524	52	746	456
Printing	1,852	189	168	2,338	866	5,413	1,858
Permits	82	40	17	8	203	350	150
Professional development	484	20	823	4	1	1,332	662
Professional fees	-	-	-	17,486	-	17,486	13,012
Public relations	689	165	73	35	11	973	1,404
Rent	2,428	1,182	520	252	78	4,460	6,997
Repairs & maintenance	14,967	7,287	3,671	2,623	482	29,030	50,019
Salary expense	68,037	26,345	38,153	34,809	7,074	174,418	127,442
Sanitation	577	139	61	30	9	816	558
Supplies	11,107	3,135	7,595	1,743	859	24,439	13,482
Taxes	5,538	2,696	1,186	3,041	178	12,639	12,552
Transportation	1,016	-	207	654	-	1,877	257
Utilities	3,270	1,592	701	342	102	6,007	5,344
	<u>\$ 155,108</u>	<u>\$ 62,485</u>	<u>\$ 73,843</u>	<u>\$ 97,585</u>	<u>\$ 12,789</u>	<u>\$ 401,810</u>	<u>\$ 351,445</u>

See accompanying notes and independent accountant's review report.

The Clifton Institute, Inc.  
Statements of Cash Flows  
For the Years Ended December 31, 2018 and 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in net assets	\$ (378,507)	\$ (25,794)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	21,569	20,212
Unrealized (gain) loss on investments	266,775	(113,769)
Realized gain on disposition of investments	(9,017)	(13,259)
 (Increase) Decrease in:		
Accounts receivable	(9,880)	2,165
Prepaid expenses	(1,451)	294
 Increase (Decrease) in:		
Accounts payable	50,764	1,109
Accrued liabilities	(9,842)	13,257
 <b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(69,589)</b>	<b>(115,785)</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments and return of principal	474,035	792,195
Improvements to land and buildings	(293,469)	(145,411)
Purchase of investments	(409,823)	(539,711)
 <b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(229,257)</b>	<b>107,073</b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net borrowings under securities based loan agreement	211,000	-
 <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>211,000</b>	<b>-</b>
 <b>NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(87,846)</b>	<b>(8,712)</b>
 <b>BEGINNING CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>234,277</b>	<b>242,989</b>
 <b>ENDING CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>\$ 146,431</b>	<b>234,277</b>
 Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 1,628	\$ -

See accompanying notes and independent accountant's review report.



The Clifton Institute, Inc.

Notes to Financial Statements

## NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

### Description of Organization

The Clifton Institute (the “Institute”) was organized as a non-profit organization on August 28, 1985 under the laws of the State of Delaware. The Institute was founded and is operated by physicians, scientists, educators and policy makers, who are dedicated to protecting and enhancing biodiversity for the advancement of knowledge, promoting the positive relationship between the environment and health. The Institute fulfills its mission by focusing efforts in three primary service areas.

- *Education* – The Institute provides environmental education to people of all ages. The Institute’s education programs foster scientific proficiency and critical thinking and promote a sense of curiosity and wonder in nature.
- *Research* – The Institute carries out research to increase knowledge of the ecology of the field station, understanding how native plants and animals are affected by restoration, and determining how to conserve species that are rare or declining.
- *Restoration* – The Institute is protecting all species of native plants and animals that are found on the Institute’s 890-acre field station in Warrenton, Virginia. The Institute aims to bolster the populations of species that are in decline.

### Basis of Financial Statement Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) and have been prepared to focus on the Institute as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, as of the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.



The Clifton Institute, Inc.

## Notes to Financial Statements

### NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - continued

#### Contributions

The Institute recognizes revenue in the period received or unconditionally promised, whichever is earlier.

Contributions are recorded as (i) net assets without donor restrictions, or (ii) net assets with donor restrictions, depending on the existence and nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions.

The Institute receives contributed services from a variety of unpaid volunteers for its programs. No amount has been reflected in the financial statements for contributed services as there is no objective basis available to measure the value of such services.

#### Cash, Cash Equivalents and Restricted Cash

Cash represents operating cash held in high quality financial institutions in the United States. Cash equivalents represents money market funds and short-term, highly liquid investments with maturities of less than three months. Restricted cash represents monies held for specific projects. All cash and cash equivalents are held at major banking and broker institutions.

#### Accounts Receivable

Accounts receivable are stated at the amount the Institute expects to collect from outstanding balances. At December 31, 2018 and 2017, the Institute determined that no amount of the accounts receivable balance was deemed to be uncollectible; therefore, no provision for bad debts had been established.

#### Investments

The Institute's investments are carried at fair value, as determined by quoted market prices. Investment income or loss (including gains and losses on investments, interest, and dividends less investment fees) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.



The Clifton Institute, Inc.

Notes to Financial Statements

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES -  
continued

Concentrations of Credit and Market Risk

The Institute maintains its cash and cash equivalents in both interest-bearing and noninterest-bearing accounts which, at times, may exceed federally insured limits. The Institute's cash accounts are placed with high-credit-quality financial institutions. The Institute has not experienced any losses in such accounts, and management believes the Institute is not subject to a risk of loss beyond that related to market changes. The Institute does not require collateral or other security to support its credit risk.

The Institute has significant investments in equity and debt securities and is, therefore, subject to concentrations of market risk. The Institute's investments as of December 31, 2018 and 2017 were segregated into two separate portfolios, each with its own investment advisor, who is supervised by the Board of Directors. Though the market value of investments is subject to fluctuations, the Board believes that The Institute's investment portfolio is adequately diversified among issuers, industries, and geographic regions to be prudent for the long-term welfare of the Institute.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the useful life of the asset, from 5 to 39 years. Repairs and maintenance are expensed as incurred.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Institute reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Institute reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Conservation Lands

Conservation land is real property with significant ecological value. These properties are managed to protect and enhance the natural biological diversity of the property.

On November 19, 2008, the Institute granted a conservation easement to the Virginia Outdoors Foundation, an agency of the Commonwealth of Virginia. The easement restricts for perpetuity the subdivision of approximately 890 acres of generally open pasture land on Virginia State Route 628, Blantyre Road in Fauquier County, Virginia to six parcels that may not be further subdivided with restrictions as to the number of dwellings and gross floor area.



The Clifton Institute, Inc.

## Notes to Financial Statements

### NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - continued

#### Net Assets

The Institute's net assets and activities that increase or decrease net assets are classified based on the existence, or absence, of restrictions imposed by donors. Accordingly, net assets are reported in the following classifications:

- *Net assets without donor restrictions* – are those not subject to donor-imposed restrictions and may be expended for any purpose in performing the organization's mission.
- *Net assets with donor restrictions* – are those subject to restrictions imposed by donors. The restrictions are temporary in nature; the restrictions are met by actions of the Institute or the passage of time.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

#### Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program and core mission support services benefited.

The financial statements report 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 shared expenses of the field station, including salaries, benefits, payroll taxes, repairs and maintenance, depreciation, outside services, insurance, taxes, supplies, utilities communications and rent, are allocated based on the number of days the field station is used for programs and other activities.

#### Reclassifications

Certain 2017 amounts have been reclassified to conform to the 2018 financial statement presentation. These reclassifications had no effect on the reported net assets.



The Clifton Institute, Inc.

Notes to Financial Statements

NOTE B – CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash, cash equivalents and restricted cash at December 31 consist of the following:

	<u>2018</u>	<u>2017</u>
Demand deposits	\$ 82,112	\$ 165,132
Money market funds	<u>64,319</u>	<u>69,145</u>
	<u>\$ 146,431</u>	<u>\$ 234,277</u>

Cash and cash equivalents are reported in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 124,639	\$ 227,801
Cash with donor restrictions for specific programs	<u>21,792</u>	<u>6,476</u>
	<u>\$ 146,431</u>	<u>\$ 234,277</u>

NOTE C – INVESTMENTS

The Financial Accounting Standards Board (FASB) defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The FASB establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The Institute classifies all its investments in Level 1 in the fair value hierarchy because of the Institute's ability to obtain quoted prices and redeem its interest daily.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

*Investments in marketable equity and fixed securities:* The investments are priced by the investment advisor using unadjusted quoted prices for identical assets in active markets that the Institute could access.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization 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 Clifton Institute, Inc.

Notes to Financial Statements

NOTE C – INVESTMENTS (continued)

Investments, stated at fair value, at December 31 include the following:

	<u>2018</u>	<u>2017</u>
<b>Mutual Funds:</b>		
Diversified Emerging Markets	\$ 71,039	\$ 85,689
Foreign Equities	146,682	186,107
US Equities	133,277	157,789
Bond Funds	286,061	358,779
<b>Total Mutual Funds</b>	<u>637,059</u>	<u>788,364</u>
<b>Exchange Traded Funds:</b>		
International	53,676	68,565
US Equities	236,478	276,734
Preferred Stock	46,872	95,484
Bonds	536,991	409,593
Real Estate	89,426	101,203
<b>Total Exchange Traded Funds</b>	<u>963,443</u>	<u>951,579</u>
<b>Common Stocks:</b>		
Communication Services	8,433	11,486
Consumer Discretionary	14,566	9,676
Consumer Staples	28,597	43,289
Energy	11,754	15,733
Financials	41,254	71,141
Health Care	23,945	38,863
Industrials	27,227	28,856
Information Technology	29,502	53,518
Real Estate	23,400	57,050
<b>Total common stocks</b>	<u>208,678</u>	<u>329,612</u>
<b>Preferred Stocks</b>	679,757	739,709
<b>Government Agency Bonds</b>	<u>3,240</u>	<u>4,882</u>
	<u>\$ 2,492,177</u>	<u>\$ 2,814,146</u>



The Clifton Institute, Inc.

Notes to Financial Statements

NOTE C – INVESTMENTS (continued)

Investment return consisted of the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Dividends and interest income	\$ 126,551	\$ 124,064
Realized and unrealized gains (losses)	(257,758)	127,028
Investment fees	<u>(27,167)</u>	<u>(27,846)</u>
	<u>\$ (158,374)</u>	<u>\$ 223,246</u>

NOTE D - PROPERTY AND EQUIPMENT

Property and Equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Office Furniture	\$ 10,996	\$ 10,996
Office Equipment	4,468	4,942
Vehicles	31,540	31,540
Equipment	80,514	80,514
Buildings	728,299	697,174
Website	<u>3,600</u>	<u>2,425</u>
	\$ 859,417	\$ 827,591
Accumulated Depreciation and Amortization	<u>(383,296)</u>	<u>(366,588)</u>
	<u>\$ 476,121</u>	<u>\$ 461,003</u>

NOTE E – CONSERVATION LANDS

Conservation lands consist of the following:

	<u>2018</u>	<u>2017</u>
Land, net of value of easement granted to Virginia Outdoors Foundation	\$ 3,831,558	\$ 3,831,558
Land improvements	<u>373,573</u>	<u>23,348</u>
	4,205,131	3,854,906
Accumulated Depreciation of land improvements	<u>(17,622)</u>	<u>(15,660)</u>
	<u>\$ 4,187,509</u>	<u>\$ 3,839,246</u>

NOTE F – SECURITIES BASED LINE OF CREDIT

In June 2018, the Institute opened a \$350,000 line of credit with a bank, secured by the Institute's investment account held at TFB Wealth Management Services, to fund required safety improvements to the Clifton Institute Lower Dam. Borrowings under the line bear interest at the Wall Street Prime rate less 2.00% (3.50% at December 31, 2018). Interest is payable monthly. The line of credit expires in June 2023.

The Clifton Institute, Inc.

Notes to Financial Statements

#### NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	2018	2017
Habitat restoration	\$ 7,759	\$ --
Education program	11,017	--
Swan care	3,016	6,476
	<u>\$ 21,792</u>	<u>\$ 6,476</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended December 31:

	2018	2017
1820 log kitchen restoration	\$ --	\$ 77,600
Habitat restoration	2,584	--
Education program	8,533	--
Swan care	3,460	8,153
	<u>\$ 14,577</u>	<u>\$ 85,753</u>

#### NOTE H – DEFINED CONTRIBUTION PLAN

The Institute's employees are eligible to participate in The Clifton Institute, Inc. 403(b) DC Plan (the Plan), in which employees can make voluntary, tax-deferred contributions within specified limits. The Plan was established under the provisions of Internal Revenue Code Section 403(b). For the calendar year 2017 the Institute did not make contributions to the retirement plan. At its January 2018 board meeting, the board approved a 6% matching contribution beginning in 2018. The Institute made contributions of \$4,289 for the year ended December 31, 2018.

#### NOTE I – INCOME TAXES

The Clifton Institute, Inc. has been granted an exemption from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Institute qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Institute would be subject to a tax on any income from unrelated business greater than \$1,000. The Institute takes no tax positions that it considers to be uncertain.

The Institute files information returns in the U.S. federal jurisdiction and is subject to examination by taxing authorities for a period of three years from the date the returns are filed. As of December 31, 2018, the information returns for the years ended December 31, 2017, 2016 and 2015 remain subject to examination.



NOTE J – SUMMARY OF 2017

The statements of functional expenses include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

NOTE K – RISKS, COMMITMENTS AND CONTINGENCIES

In December 2018, the Institute completed construction work at a total cost of \$318,439 to improve the Clifton Farm Lower Dam located on Institute property, according to an alteration permit approved by the Virginia Department of Conservation and Recreation. On July 31, 2019 the Institute received a Conditional Dam Operation and Maintenance Certificate, which expires on July 31, 2020. To qualify for a Regular Dam Operation and Maintenance Certificate, the Institute is required to hold a Table-Top Exercise and submit an Emergency Action Plan. Management expects to complete these requirements by April 30, 2020 and does not expect to incur significant costs to meet these conditions.

NOTE L – AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure (i.e., without donor or other restrictions limiting use) within one year of the statement of financial position date consist of the following:

Cash and cash equivalents	\$ 59,121
Accounts receivable	12,765
Endowment appropriations	168,258
	<u>\$ 240,144</u>

The Institute's Endowment of \$2,492,177 is subject to a board-approved annual spending rate of approximately six percent. Although the Institute does not intend to spend from the Endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

During 2019, the Board approved additional distributions from the Endowment in the amount of \$251,000 to repay amounts borrowed on the line of credit for dam improvements.

NOTE M – ENDOWMENT

The Institute's Endowment consists of investment reserves without donor restrictions that have been designated by the Institute's Board of Directors to provide a predictable stream of funding for operations. The Endowment is managed to provide funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to



The Clifton Institute, Inc.

Notes to Financial Statements

NOTE M – ENDOWMENT (continued)

provide necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Changes in Endowment net assets for the year ended December 31, 2018 are as follows:

Investment reserves designated as endowment	\$ 2,814,146
Investment return, net	(158,536)
Distributions for operations	<u>(163,433)</u>
Board-Designated Endowment net assets, end of year	<u><u>\$ 2,492,177</u></u>

NOTE N – CONCENTRATIONS

Contributions include donations from two individuals totaling \$85,000 for the year ended December 31, 2018 and a donation from a different Organization in the amount of \$25,000 for the year ended December 31, 2017.

NOTE O – NEW ACCOUNTING GUIDANCE

In 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, “*Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*,” which is intended to improve financial reporting for not-for-profit entities. The ASU replaces the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets — net assets with donor restrictions and net assets without donor restrictions. The ASU also requires all not-for-profits to provide expenses by natural classification and function (program, management and general, or fund raising), requires additional disclosures (both quantitative and qualitative) of information about liquidity and availability of resources, and requires additional disclosures about investment expenses. The amendments in this ASU are effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The Institute has implemented the update in its 2018 financial statements. The update has been applied retrospectively to 2017 in these financial statements.

NOTE P – SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2018, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is November 29, 2019, which is the date on which the financial statements were available to be issued.

During 2019, the Institute entered into a contract to sell an unimproved 14.86-acre parcel for \$185,000. The parcel is adjacent to, but not included in, the 890-acres under conservation easement, and as such does not support the Institute’s mission.