

THE CLIFTON INSTITUTE, INC.

Warrenton, Virginia

FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

CONTENTS

	PAGE
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	3
Statement of activities and changes in net assets	4
Statement of functional expenses	5
Statements of cash flows	6
Notes to financial statements	7

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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, 2020 and 2019, 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 2019 financial statements and in our conclusion dated December 10, 2020, stated that based on our review, we were not aware of any material modifications that should be made to the 2019 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, 2020, for it to be consistent with the reviewed financial statements from which it has been derived.

Warrenton, Virginia
February 14, 2022

Schulen, Patchett & Edwards P.C.

THE CLIFTON INSTITUTE, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 86,257	\$ 83,849
Cash with donor restrictions	62,362	55,209
Cash, board designated	207,856	937,598
Grants and pledges receivable	48,390	44,771
Tax credit receivable	29,457	-
Prepaid expenses	9,519	11,810
Inventory	4,931	-
Long-term investments	2,422,287	1,623,390
Construction in progress	165,502	127,753
Property and equipment, net of accumulated depreciation	486,444	473,493
Conservation lands	<u>3,950,342</u>	<u>3,965,987</u>
TOTAL ASSETS	<u>\$ 7,473,347</u>	<u>\$ 7,323,860</u>
LIABILITIES		
Accounts payable	9,319	12,321
Deferred revenue	2,048	48
Accrued liabilities	20,730	19,783
Advance for stream protection program	<u>14,975</u>	<u>-</u>
TOTAL LIABILITIES	<u>47,072</u>	<u>32,152</u>
NET ASSETS		
Without donor restrictions	7,323,194	7,195,767
With donor restrictions	<u>103,081</u>	<u>95,941</u>
TOTAL NET ASSETS	<u>7,426,275</u>	<u>7,291,708</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,473,347</u>	<u>\$ 7,323,860</u>

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, 2020

(with comparative totals for the year ended December 31, 2019)

	2020			Summarized Total
	Without Donor Restrictions	With Donor Restrictions	Total	2019
Support and revenues				
Contributions	\$ 234,308	\$ 100,144	\$ 334,452	\$ 297,323
Program fees and sales, net	28,110	-	28,110	29,337
Employee retention tax credit	29,457	-	29,457	-
Other income	291	-	291	2,000
Total support and revenues before net investment return and assets released from restrictions	292,166	100,144	392,310	328,660
Investment return, net	209,116	-	209,116	213,990
Assets released from restriction	93,004	(93,004)	-	-
Total support and revenues	594,286	7,140	601,426	542,650
Expenses				
Program Services				
Education	194,455	-	194,455	191,911
Research	48,020	-	48,020	30,308
Restoration	121,024	-	121,024	92,680
Core Mission Support				
Management and General	82,834	-	82,834	83,468
Fundraising	12,347	-	12,347	13,265
Total expense	458,680	-	458,680	411,632
Loss on disposition of assets	8,179	-	8,179	-
Change in net assets	127,427	7,140	134,567	131,018
NET ASSETS AT BEGINNING OF YEAR	7,195,767	95,941	7,291,708	7,160,690
NET ASSETS AT END OF YEAR	\$ 7,323,194	\$ 103,081	\$ 7,426,275	\$ 7,291,708

See accompanying notes and independent accountant's review report.

THE CLIFTON INSTITUTE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020
(with comparative totals for the year ended December 31, 2019)

	Program Services			Core mission support			Summarized Total 12/31/2019
	Education	Research	Restoration	General & Admin.	Fundraising	Total 12/31/2020	
\$	-	\$ -	\$ -	\$ 323	\$ -	\$ 323	\$ 666
Board expense	2,975	240	1,154	3,523	65	7,957	7,878
Communications	25,022	2,040	9,810	1,431	550	38,853	30,856
Depreciation	70	-	-	414	0	484	532
Dues & subscriptions	12,561	5,598	9,751	5,363	411	33,684	35,688
Employee benefits	1,572	106	511	2,178	1,292	5,659	4,383
Information technology	7,242	591	2,860	2,249	159	13,101	14,604
Insurance	-	-	-	-	-	-	2,253
Interest	100	8	500	6	2	616	839
Livestock	-	-	227	-	-	227	99
Meals and lodging	8	-	-	1,390	-	1,398	848
Merchant processing fees	-	-	-	440	-	440	373
Office expense	13,324	5,038	14,309	4,254	293	37,218	31,094
Outside services	7,024	1,439	4,490	2,380	558	15,891	12,131
Payroll taxes	6	345	120	260	260	991	1,399
Postage & freight	2,059	168	807	2,489	1,043	6,566	3,214
Printing	-	-	-	200	-	200	350
Permits & registration	70	-	173	32	-	275	2,311
Professional development	-	-	-	21,743	-	21,743	22,793
Professional fees	959	52	250	36	14	1,311	1,034
Public relations	302	1,645	118	17	7	2,089	890
Rent	4,435	362	2,341	254	96	7,488	8,518
Repairs & maintenance	93,263	19,457	59,193	31,564	7,159	210,636	171,814
Salary expense	372	30	146	21	9	578	567
Sanitation	13,436	7,771	10,281	1,715	215	33,418	37,240
Supplies	6,576	536	2,578	376	145	10,211	12,393
Taxes	12	2,345	202	1	0	2,560	996
Transportation	3,067	249	1,203	175	69	4,763	5,868
Utilities	\$ 194,455	\$ 48,020	\$ 121,024	\$ 82,834	\$ 12,347	\$ 458,680	\$ 411,632

See accompanying notes and independent accountant's review report.

THE CLIFTON INSTITUTE, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 134,567	\$ 131,018
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	38,853	30,856
Unrealized (gain) on investments	(291,239)	(37,481)
Realized (gain) loss on disposition of investments	145,047	(93,117)
(Increase) Decrease in:		
Grants and pledges receivable	(3,619)	(32,006)
Tax credit receivable	(29,457)	-
Prepaid expenses	2,291	(1,077)
Inventory	(4,931)	-
Increase (Decrease) in:		
Accounts payable	(3,002)	(43,921)
Deferred revenue	2,000	48
Accrued liabilities	947	(1,542)
NET CASH USED IN OPERATING ACTIVITIES	(8,543)	(47,222)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments and return of principal	2,236,282	1,319,269
Equipment purchases	(13,323)	-
Improvements to land and buildings	(56,024)	(25,144)
Purchase of investments	(2,893,548)	(105,678)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(726,613)	1,188,447
 CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from stream exclusion program funding	14,975	-
Net repayments under securities based loan agreement	-	(211,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	14,975	(211,000)
 NET INCREASE (DECREASE) IN CASH	(720,181)	930,225
 BEGINNING CASH	1,076,656	146,431
 ENDING CASH	356,475	1,076,656
Cash, donor restricted	(62,362)	(55,209)
Cash, board designated	(207,856)	(937,598)
 Cash, operations	\$ 86,257	\$ 83,849
 Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ -	\$ 2,253

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. We are in Virginia's northern Piedmont.

Our mission is to inspire a deeper understanding and appreciation of nature, to study the ecology of our region, and to restore habitat, and conserve native biodiversity. We fulfill our mission by providing environmental education to people of all ages, carrying out ecological research, and restoring habitat for native plants and animals.

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 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 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.

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.

The Clifton Institute, Inc.

Notes to Financial Statements

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

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.

Grants and Accounts Receivable

Grants and accounts receivable are stated at the amount the Institute expects to collect from outstanding balances. Management is of the opinion that all the Organization's accounts and grants receivable are fully collectible and no allowance for doubtful accounts is required.

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.

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, 2020 and 2019 were managed by investment advisors, who are 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.

The Clifton Institute, Inc.

Notes to Financial Statements

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

Property and Equipment

The Institute capitalizes acquisitions of property and equipment in excess of \$2,500. 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.

Conservation Lands

Conservation land is real property with significant ecological value. This property is 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.

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.

The Clifton Institute, Inc.

Notes to Financial Statements

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

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.

Adoption of New Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606) (“ASU 2014-09”). Effective January 2019, the Institute adopted ASU 2014-09 on a retrospective basis. Most of the Institute’s revenue is derived from contributed support and investment revenue. Therefore, adoption of ASU 2014-09 had no impact on the recognition of contribution and investment revenue for the Institute during the period presented or on the opening balance of net assets as of January 1, 2019.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Institute has implemented the provisions of ASU 2018-08 applicable to contributions received in the financial statements under a prospective basis. There is no effect on net assets in connection with implementation of ASU 2018-08.

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>2020</u>	<u>2019</u>
Demand deposits	\$ 148,619	\$ 139,058
Money market funds	<u>207,856</u>	<u>937,598</u>
	<u>\$ 356,475</u>	<u>\$ 1,076,656</u>

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

Cash and cash equivalents	\$ 86,257	\$ 83,849
Cash with donor restrictions	62,362	55,209
Cash, board designated	<u>207,856</u>	<u>937,598</u>
	<u>\$ 356,475</u>	<u>\$ 1,076,656</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, 2020 and 2019.

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>2020</u>	<u>2019</u>
Mutual Funds:		
Diversified Emerging Markets	\$ 100,537	\$ -
Foreign Equities	82,908	-
US Equities	818,502	-
Bond Funds	524,094	226,223
Total Mutual Funds	<u>1,526,041</u>	<u>226,223</u>
Exchange Traded Funds:		
US Equities	277,986	-
Preferred Stock	-	50,949
Bonds	-	399,910
Real Estate	-	99,703
Total Exchange Traded Funds	<u>277,986</u>	<u>550,562</u>
Common Stocks:		
Communication Services	-	12,198
Consumer Discretionary	-	19,532
Consumer Staples	-	34,118
Energy	-	12,576
Financials	70,094	46,012
Health Care	94,824	32,098
Industrials	34,250	33,083
Information Technology	245,309	42,461
Real Estate	92,986	23,750
Total common stocks	<u>537,463</u>	<u>255,828</u>
Preferred Stocks	79,537	588,641
Government Agency Bonds	<u>1,260</u>	<u>2,136</u>
	<u>\$ 2,422,287</u>	<u>\$ 1,623,390</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>2020</u>	<u>2019</u>
Dividends and interest income	\$ 74,895	\$ 108,432
Realized and unrealized gains	146,192	130,598
Investment fees	<u>(11,971)</u>	<u>(25,040)</u>
	<u>\$ 209,116</u>	<u>\$ 213,990</u>

NOTE D - PROPERTY AND EQUIPMENT

Property and Equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Office Furniture	\$ 10,996	\$ 10,996
Office Equipment	4,468	4,468
Vehicles	32,040	32,040
Equipment	90,843	77,520
Buildings	759,681	741,404
Website	<u>3,600</u>	<u>3,600</u>
	\$ 901,628	\$ 870,028
Accumulated Depreciation and Amortization	<u>(415,184)</u>	<u>(396,535)</u>
	<u>\$ 486,444</u>	<u>\$ 473,493</u>

NOTE E – CONSERVATION LANDS

Conservation lands consist of the following:

	<u>2020</u>	<u>2019</u>
Land, net of value of easement granted to Virginia Outdoors Foundation	\$ 3,617,353	\$ 3,617,353
Land improvements	<u>377,373</u>	<u>377,373</u>
	3,994,726	3,994,726
Accumulated Depreciation of land improvements	<u>(44,384)</u>	<u>(28,739)</u>
	<u>\$ 3,950,342</u>	<u>\$ 3,965,987</u>

During 2019, the Institute sold an unimproved 14.86-acre parcel for \$185,000. The parcel was adjacent to, but not included in, the 890-acres under conservation easement.

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%. The line of credit was repaid entirely in 2019, and the investment account held at TFB Wealth Management Services was transferred to TD Ameritrade. 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 consist of the following:

	2020	2019
1820 log kitchen restoration	\$ 20,636	\$ 23,664
Habitat restoration	5,378	1,510
Education program	19,008	28,096
Research	48,220	-
Swan care	1,339	1,939
2020 general operations	-	35,732
New construction	8,500	5,000
	<u>\$ 103,081</u>	<u>\$ 95,941</u>

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

	2020	2019
1820 log kitchen restoration	\$ 3,028	\$ 1,336
Habitat restoration	6,132	7,759
Education program	34,088	37,647
Research	13,424	-
General operations	35,732	-
Swan care	600	1,077
	<u>\$ 93,004</u>	<u>\$ 47,819</u>

NOTE H – DEFINED CONTRIBUTION PLAN

The Institute has established a 403(b) Defined Contribution Plan (the Plan) for full-time employees. The Plan, as amended, provides for a match of up to 6% of the employee's salary. The Institute made matching contributions of \$10,788 and \$8,011, respectively, for the years ended December 31, 2020 and 2019.

NOTE I – GOVERNMENT GRANT

On April 21, 2020, the Institute was granted a loan from The Fauquier Bank in the amount of \$41,631 pursuant to the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted March 27, 2020. The entire loan has been forgiven by the US Small Business Administration because the Institute used the proceeds for eligible expenditures described in the CARES Act. The amount forgiven is reflected in contributed support in the accompanying financial statements in accordance with the presentation as a government grant.

The Clifton Institute, Inc.

Notes to Financial Statements

NOTE J – 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, 2020, the information returns for the years ended December 31, 2019, 2018 and 2017 remain subject to examination.

NOTE K – EMPLOYEE RETENTION CREDIT

For 2020, the Institute qualified for employee retention credits totaling \$29,457. The Institute has included this amount as a tax credit receivable on the statements of financial position and under support and revenue on the statements of activities.

Laws and regulations concerning government programs, including the Employee Retention Credit (ERC) established by the CARES Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Institute's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Organization.

NOTE L – SUMMARY OF 2019

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

NOTE M – RISKS, COMMITMENTS AND CONTINGENCIES

In December 2018, the Institute completed construction work to improve the Clifton Farm Lower Dam located on Institute property. On July 31, 2019, the Institute received a Conditional Dam Operation and Maintenance Certificate, which expired 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 July 31, 2022 and does not expect to incur significant costs to meet these conditions.

The Clifton Institute, Inc.

Notes to Financial Statements

NOTE N – 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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 86,257	\$ 83,849
Grants and other receivables	7,654	39,771
Endowment appropriations	<u>140,000</u>	<u>140,000</u>
	<u>\$ 233,911</u>	<u>\$ 263,620</u>

The Institute's Endowment of \$2,630,143 is subject to a board-approved annual spending rate of approximately five and one-third 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.

NOTE O – 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 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 years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Board-Designated Endowment net assets, beginning of year	\$ 2,560,988	\$ 2,492,177
Cash contributions	-	242,051
Investment return, net	209,155	248,718
Distributions for operations	(140,000)	(170,958)
Distributions for land improvements	<u>-</u>	<u>(251,000)</u>
Board-Designated Endowment net assets, end of year	<u>\$ 2,630,143</u>	<u>\$ 2,560,988</u>

The Clifton Institute, Inc.

Notes to Financial Statements

NOTE P – CONCENTRATIONS

Contributions include grants from one foundation in amounts of \$35,275 and \$74,958 for the years ended December 31, 2020 and 2019, respectively.

NOTE Q – SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2020, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is February 14, 2022, which is the date on which the financial statements were available to be issued.