INSTITUTE FOR LOCAL SELF-RELIANCE

MINNEAPOLIS, MN

COMPARATIVE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

KENDALL, PREBOLA AND JONES
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I N D E X

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
Institute for Local Self-Reliance
2720 E. 22nd Street
Minneapolis, MN 55406

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Institute for Local Self-Reliance (a nonprofit organization) which comprise the statements of financial position as of June 30, 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.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 of 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 auditor's 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.

133 MANN STREET, P.O. BOX 259, BEDFORD, PA 15522-0259 / (814) 623-1880

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute for Local Self-Reliance as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kendall, Prebola and Jones
Certified Public Accountants

Bedford Pennsylvania
March 5, 2021

INSTITUTE FOR LOCAL SELF-RELIANCE
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	June 30, 2020	June 30, 2019
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,783,684	$ 928,206
Investments	100,373	99,584
Accounts Receivable	49,675	28,022
Promises Receivable	1,092,584	540,354
Prepaid Expenses	31,948	12,950
Total Current Assets	$ 3,058,264	$ 1,609,116
Fixed Assets:		
Office Furniture and Equipment	$ 69,517	$ 58,025
Leasehold Improvements	4,295	4,295
Less: Accumulated Depreciation and Amortization	(49,957)	(39,677)
Total Fixed Assets	$ 23,855	$ 22,643
Other Assets:		
Promises Receivable - Non-Current	$ 120,000	$ -
Security Deposits	6,590	6,590
Total Other Assets	$ 126,590	$ 6,590
TOTAL ASSETS	$ 3,208,709	$ 1,638,349
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	$ 10,222	$ 7,719
Accrued Salaries, Vacation and Benefits	61,082	37,809
Deferred Rent Abatement - Current Portion	-	1,758
Deferred Revenue	-	5,750
Total Current Liabilities	$ 71,304	$ 53,036
Long-Term Liabilities:		
Deferred Rent Abatement	$ -	$ 1,758
Less: Current Portion	-	(1,758)
Total Long-Term Liabilities	$ -	$ -
Total Liabilities	$ 71,304	$ 53,036
Net Assets:		
Without Donor Restrictions	$ 1,626,140	$ 765,257
With Donor Restrictions	1,511,265	820,056
Total Net Assets	$ 3,137,405	$ 1,585,313
TOTAL LIABILITIES AND NET ASSETS	$ 3,208,709	$ 1,638,349

(See Accompanying Notes and Auditor's Report)

INSTITUTE FOR LOCAL SELF-RELIANCE
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	For the Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support:			
Contributions	$ 1,270,753	$ 2,129,922	$ 3,400,675
Contract Revenue	112,401	-	112,401
Program Fees and Registration Fees	20,685	-	20,685
Honoraria and Consulting	11,318	-	11,318
Investment Revenue	3,932	-	3,932
Net Assets Released from Restriction Satisfaction of Program Restrictions	1,438,713	(1,438,713)	-
Total Revenues, Gains and Other Support	$ 2,857,802	$ 691,209	$ 3,549,011
Expenses:			
Program Services	$ 1,762,153	$ -	$ 1,762,153
Management and General	145,089	-	145,089
Fundraising	89,677	-	89,677
Total Expenses	$ 1,996,919	$ -	$ 1,996,919
Change in Net Assets	$ 860,883	$ 691,209	$ 1,552,092
Net Assets at Beginning of Year	765,257	820,056	1,585,313
Net Assets at End of Year	$ 1,626,140	$ 1,511,265	$ 3,137,405

(See Accompanying Notes and Auditor's Report)

INSTITUTE FOR LOCAL SELF-RELIANCE
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	For the Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support:			
Contributions	$ 176,173	$ 1,023,073	$ 1,199,246
Contract Revenue	97,639	-	97,639
Program Fees and Registration Fees	47,010	-	47,010
Honoraria and Consulting	9,577	-	9,577
Investment Revenue	4,506	-	4,506
Net Assets Released from Restriction			
Satisfaction of Program Restrictions	1,061,173	(1,061,173)	-
Total Revenues, Gains and Other Support	$ 1,396,078	$ (38,100)	$ 1,357,978
Expenses:			
Program Services	$ 1,382,877	$ -	$ 1,382,877
Management and General	121,097	-	121,097
Fundraising	91,815	-	91,815
Total Expenses	$ 1,595,789	$ -	$ 1,595,789
Change in Net Assets	$ (199,711)	$ (38,100)	$ (237,811)
Net Assets at Beginning of Year	964,968	858,156	1,823,124
Net Assets at End of Year	$ 765,257	$ 820,056	$ 1,585,313

(See Accompanying Notes and Auditor's Report)

INSTITUTE FOR LOCAL SELF-RELIANCE
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	June 30, 2020										
			Program Services							Supporting Services	
	Total	Total Program Services	Community Broadband Networks	Community Scaled Economy	Composting for Community	Energy Democracy	The Public Good	Waste to Wealth	Total Supporting Services	General and Administrative	Fundraising
Expenses:											
Salaries	$ 1,093,140	$ 984,504	$ 276,335	$ 299,415	$ 191,476	$ 123,585	$ 34,217	$ 59,476	$ 108,636	$ 51,424	$ 57,212
Payroll Taxes	90,724	81,381	23,040	24,806	15,627	10,161	2,838	4,909	9,343	4,617	4,726
Benefits	255,518	230,000	64,421	68,842	45,299	29,361	8,236	13,841	25,518	11,555	13,963
Total Salaries, Payroll Taxes and Benefits	$ 1,439,382	$ 1,295,885	$ 363,796	$ 393,063	$ 252,402	$ 163,107	$ 45,291	$ 78,226	$ 143,497	$ 67,596	$ 75,901
Consultants	$ 192,671	$ 192,250	$ 17,011	$ 17,080	$ 78,297	$ 76,612	$ 188	$ 3,062	$ 421	$ 91	$ 330
Professional Fees	64,443	1,050	1,050	-	-	-	-	-	63,393	63,393	-
Website and Design	98,386	97,522	94,854	1,063	525	933	18	129	864	34	830
Telephone and Internet	13,846	12,489	3,590	3,692	2,390	1,632	434	751	1,357	625	732
Office and Computer Supplies	35,868	28,529	4,625	4,873	12,889	4,977	407	758	7,339	4,568	2,771
Postage and Shipping	960	89	31	27	19	7	2	3	871	70	801
Travel and Meals	28,542	28,300	9,985	9,295	5,769	1,202	52	1,997	242	194	48
Conferences and Meeting Expense	3,663	3,613	915	250	424	120	-	1,904	50	-	50
Printing and Copying	2,078	836	54	82	402	298	-	-	1,242	-	1,242
Publications and Dues	9,790	8,521	4,631	835	1,499	1,337	68	151	1,269	1,222	47
Equipment Rental and Maintenance	1,366	178	50	50	37	24	6	11	1,188	675	513
Occupancy	87,649	78,927	22,289	23,956	15,284	9,879	2,750	4,769	8,722	4,110	4,612
Insurance	5,256	4,180	1,202	1,243	802	527	149	257	1,076	826	250
Taxes and Other Filing Fees	2,118	1	-	-	-	1	-	-	2,117	1,205	912
Depreciation	10,901	9,783	2,833	2,857	1,851	1,284	360	598	1,118	480	638
Total Expenses	$ 1,996,919	$ 1,762,153	$ 526,916	$ 458,366	$ 372,590	$ 261,940	$ 49,725	$ 92,616	$ 234,766	$ 145,089	$ 89,677

(See Accompanying Notes and Auditor's Report)

INSTITUTE FOR LOCAL SELF-RELIANCE
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	June 30, 2019										
			Program Services							Supporting Services	
	Total	Total Program Services	Community Broadband Networks	Community Scaled Economy	Composting for Community	Energy Democracy	The Public Good	Waste to Wealth	Total Supporting Services	General and Administrative	Fundraising
Expenses:											
Salaries	$ 878,689	$ 796,530	$ 222,483	$ 208,269	$ 183,944	$ 108,274	$ 32,108	$ 41,092	$ 82,159	$ 29,175	$ 52,984
Payroll Taxes	72,732	65,999	18,360	17,280	15,215	8,974	2,660	3,510	6,733	2,305	4,428
Benefits	230,418	207,870	52,857	56,146	50,166	29,691	8,807	10,203	22,548	7,961	14,587
Total Salaries, Payroll Taxes and Benefits	$ 1,181,839	$ 1,070,399	$ 293,700	$ 282,055	$ 249,325	$ 146,939	$ 43,575	$ 54,805	$ 111,440	$ 39,441	$ 71,999
Consultants	$ 108,826	$ 108,826	$ 3,450	$ -	$ 3,263	$ 100,263	$ -	$ 1,850	$ -	$ -	$ -
Professional Fees	65,633	-	-	-	-	-	-	-	65,633	65,633	-
Website and Design	5,231	3,820	2,502	735	246	66	12	259	1,411	5	1,406
Telephone and Internet	13,044	11,826	3,312	3,119	2,674	1,641	469	611	1,218	436	782
Office and Computer Supplies	32,276	23,766	4,267	4,030	7,686	6,675	467	641	8,510	5,815	2,695
Postage and Shipping	776	201	126	53	20	-	-	2	575	49	526
Travel and Meals	34,467	28,936	13,799	9,530	3,434	1,184	147	842	5,531	2,167	3,364
Conferences and Meeting Expense	41,052	37,545	318	3,294	32,729	357	29	818	3,507	1,288	2,219
Printing and Copying	3,103	977	377	39	416	135	5	5	2,126	208	1,918
Publications and Dues	6,978	6,407	3,519	863	621	1,139	101	164	571	443	128
Equipment Rental and Maintenance	834	177	48	44	43	25	7	10	657	645	12
Occupancy	81,226	73,642	20,469	19,415	16,961	9,994	2,966	3,837	7,584	2,685	4,899
Insurance	9,193	8,748	1,203	1,139	5,412	589	176	229	445	149	296
Taxes and Other Filing Fees	2,912	-	-	-	-	-	-	-	2,912	1,861	1,051
Depreciation	8,399	7,607	2,091	2,032	1,758	1,029	306	391	792	272	520
Total Expenses	$ 1,595,789	$ 1,382,877	$ 349,181	$ 326,348	$ 324,588	$ 270,036	$ 48,260	$ 64,464	$ 212,912	$ 121,097	$ 91,815

(See Accompanying Notes and Auditor's Report)

INSTITUTE FOR LOCAL SELF-RELIANCE
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	June 30, 2020	June 30, 2019
Cash Flows from Operating Activities		
Change in Net Assets	$ 1,552,092	$ (237,811)
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:		
Depreciation Expense	10,901	8,399
Loss on Disposal of Fixed Assets	621	-
Unrealized (Gain) on Investments	(443)	(107)
Accounts Receivable - (Increase)/Decrease	(21,653)	(3,402)
Promises Receivable - (Increase)/Decrease	(672,230)	267,726
Prepaid Expenses - (Increase)/Decrease	(18,998)	812
Accounts Payable - Increase/(Decrease)	2,503	(22,820)
Deferred Rent Abatement -Increase/(Decrease)	(1,758)	(1,457)
Accrued Salaries, Vacation and Benefits - Increase/(Decrease)	23,273	6,351
Deferred Revenues - Increase/(Decrease)	(5,750)	(6,038)
Net Cash Flows from Operating Activities	$ 868,558	$ 11,653
Cash Flows from Investing Activities		
Purchase of Property and Equipment	$ (12,734)	$ (14,104)
Purchase of Investments	(100,346)	(149,477)
Sale of Investments	100,000	50,000
Net Cash Flows from Investing Activities	$ (13,080)	$ (113,581)
Net Increase/(Decrease) in Cash	$ 855,478	$ (101,928)
Cash and Cash Equivalents at Beginning of Year	928,206	1,030,134
Cash and Cash Equivalents at End of Year	$ 1,783,684	$ 928,206

Supplemental Disclosures:

No interest or income taxes were paid during the years ended June 30, 2020 or 2019.

(See Accompanying Notes and Auditor's Report)

(1) ORGANIZATION:

The Institute for Local Self-Reliance, Inc., was incorporated on May 1, 1974, pursuant to the provisions of the District of Columbia Nonprofit Corporation Act. The mission of the Institute for Local Self-Reliance, Inc. (ILSR) is to provide the conceptual framework, strategies, and information to aid the creation of ecologically-sound and economically equitable communities. To that end, ILSR works with citizens, activists, policymakers, and entrepreneurs to design systems, policies, and industries that meet local or regional needs; to maximize local human, material, natural, and financial resources; and to ensure that the benefits of these systems and resources accrue to all local citizens.

ILSR is a national research and technical assistance organization providing the foundation upon which communities can take charge of their local economies and build a more equitable and environmentally sound future.

Basic Programs

For the year ended June 30, 2020, the Organization had five main programs. These programs are described below.

Community Broadband Networks
The Community Broadband Networks Initiative documents and promotes locally owned, democratically accountable networks offering universal access to fast, affordable, and reliable internet connections in order to improve everyone's ability to communicate.

Independent Business
The Community-Scaled Economy Initiative collaborates with partners and allies to bring about an economy that embodies democratic values, where businesses and decision-makers are rooted locally and accountable to the communities they serve, and prosperity is broadly shared.

Composting for Community
The Composting for Community project advances locally based composting in contrast to centralized waste collection in order to create jobs, enhance soils, protect the climate, and reduce waste.

Energy Democracy
The Energy Democracy Initiative provides policy and action tools for people in cities and rural communities to oppose energy monopolies and build local power to develop and own renewable energy.

Waste to Wealth
The Waste to Wealth Initiative provides hands-on technical assistance, as well as vital research, to help community organizations, government agencies, and private businesses convert discarded materials from environmental and economic liabilities into valuable resources that add value to the local economy while enhancing community resilience and development opportunities.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the Institute for Local Self-Reliance are summarized below:

(a) Basis of Accounting and Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting, which presents financial position, activities, functional expenses and cash flows in accordance with accounting principles generally accepted in the United States of America.

(b) Revenue Recognition:

Contributions

The Organization has implemented the new accounting and reporting standards surrounding contributions. These new standards affect financial statement reporting and disclosures included within the body of the financial statements. The new standards promulgate clarity for distinguishing between exchange transactions and those of a non-reciprocal arrangement leading to a contribution, while providing rules and guidance on what constitutes an underlying condition that may be associated with a contribution.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Conditional contributions are determined on the basis of whether or not an underlying agreement includes both a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If both exist, then the contribution is conditional. Barriers include and are not limited to:

- Measurable performance-related barrier(s) (e.g., specified level of service, specific output, or outcome, matching requirement);
- Extent to which a stipulation limits discretion on conduct of activity (e.g., qualifying expenses, specific protocols); and
- Extent to which a stipulation is related to the purpose of the agreement (excludes administrative or trivial).

Conditional contributions are not recognized as revenue until they become unconditional, that is, until all conditions on which they depend are substantially met. Therefore, any respective advance payments received are recorded as a refundable advance and subsequently recognized as contribution revenue when the underlying conditions are fulfilled.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Contributions (Continued)

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restriction, if any, on the contribution. An allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history and type of contribution.

Contract Revenue

Contract revenues are considered to be exchange transactions, and are recognized as the services are completed.

Program Fees and Registrations

These fees consist of exchange transactions such as consulting and conference registration fees. These revenues are recognized at the time the services are provided or the conference is held.

(c) Income Taxes:

The Organization is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Accordingly, no income taxes have been provided for in the accompanying financial statements. In addition, the Organization qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation.

The Organization is also exempt from District of Columbia sales, real estate, and personal property taxes.

(d) Net Assets:

The Organization reports information regarding its financial position and activities according to two classes of net assets. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of restrictions on use that are placed by the donor. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Net Assets: (Continued)

Net Assets without Donor Restrictions

Net assets without donor restrictions are resources available to support operations and over which the Board of Directors has discretionary control. The only limits on the use of these net assets are the broad limits resulting from the Organization's purpose, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements that are entered into in the course of its operations.

Net Assets with Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature whereby the Organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service, unless the donor provides more specific directions about the period of its use.

Net assets with donor restrictions were available at year end for the following programs:

	June 30, 2020	June 30, 2019
Composting for Community	$ 588,481	$ 40,432
Energy Democracy	130,345	53,042
Independent Business	282,500	307,966
Community Broadband Networks	509,939	417,616
Waste to Wealth	-	-
Time Restricted	-	1,000
Total Net Assets Available	$ 1,511,265	$ 820,056

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Net Assets: (Continued)

Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, the passage of time, or by the occurrence of other events specified by the donors for the following programs:

	June 30, 2020	June 30, 2019
Composting for Community	$ 293,411	$ 117,147
Energy Democracy	183,698	213,474
Independent Business	341,966	321,467
Community Broadband Networks	495,488	332,595
Waste to Wealth	77,150	21,790
The Public Good	26,000	25,000
Sponsorships	-	29,200
Time Restricted	21,000	500
Total Net Assets Released from Restrictions	$ 1,438,713	$ 1,061,173

(e) Donated Services and Supplies:

Donated services and materials are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized.

There were no donated services or materials recorded in the financial statements for the years ended June 30, 2020 and 2019.

(f) Functional Expense Allocation Policies and Procedures:

The statement of functional expenses presents an allocation of each expense category between program services, administrative, and fundraising activities. Program service costs consist of those expenses incurred to fulfill the Organization's mission. Administrative costs pertain to supporting activities. Fundraising expenses relate to fundraising activities such as generating contributions and seeking unsolicited financial support and grants.

Management has established functional expense allocation policies and procedures based on a reasonable analysis of cost drivers and reasonable allocation methodologies based on financial results and industry standards.

Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(f) Functional Expense Allocation Policies and Procedures: (Continued)

Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Personnel expense for salaries, payroll taxes and employee benefit plans are allocated based on activity reports of time spent on particular activities.

- Cost for facilities, office supplies, telephone, insurance, dues and subscriptions, and other expenses are allocated between administrative and program functions on a percentage basis that is equivalent to the hours worked by each employee.

- Costs of consultants, professional fees, travel and meeting expenses are allocated based on the underlying use of these costs by various programs determined by management and evaluated annually.

Administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

(g) 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, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(h) Fair Value of Certain Financial Instruments:

Some of the Organization's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such assets include cash and cash equivalents, accounts and promises receivable, prepaid expenses, accounts payable, and accrued expenses.

(i) Recognition of Salary Expense:

Salary expense is recognized in the year the service is rendered, which coincides with the fiscal year. Salaries unpaid at June 30 are recognized as expense and accrued.

(j) Change in Accounting Principles:

The Organization implemented Financial Accounting Standard Board (FASB) ASU No. 2018-08 "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made" in the current year, applying the changes retrospectively.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(j) Change in Accounting Principles: (Continued)

ASU 2018-08 was issued to clarify and improve the guidance for distinguishing transactions that are contributions from those that are exchange transactions. The ASU also provides guidance for determining if a contribution that is a promise to give is conditional.

This standard amends the definition of a donor-imposed condition to state it must include both (a) one or more barriers that must be overcome before the organization is entitled to the promised assets, and (b) a right of release from the obligation stipulating the donor has the right to be released from its obligation to transfer assets or to reduce, settle, or cancel liabilities. This standard also provides additional guidance to determine whether grants and contracts from the federal, state, and local governments should be classified as a contribution or an exchange transaction.

The changes had no effect on net assets at July 1, 2019.

(3) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial statement date.

The Organization has certain donor-restricted net assets that are considered to be available for general expenditures, because the restrictions on the net assets are expected to be met by conducting the normal activities of the programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

	June 30, 2020	June 30, 2019
Financial Assets at Year End:		
Cash and Cash Equivalents	$ 1,783,684	$ 928,206
Investments	100,373	99,584
Accounts Receivable	49,675	28,022
Promises Receivable	1,212,584	540,354
Total Financial Assets	$ 3,146,316	$ 1,596,166
Less Amounts Not Available for General Expenditure Within One Year Due to Donor-Imposed Restrictions	$ 120,000	$ -
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$ 3,026,316	$ 1,596,166

As part of the Institute's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due.

(4) ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Organization's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Institute for Local Self-Reliance performed an evaluation of uncertain tax positions for the year ended June 30, 2020, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2020, the statute of limitations for tax years 2016 through 2018 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2020, the Organization had no accruals for interest and/or penalties.

(5) CASH AND CASH EQUIVALENTS:

The carrying amount of cash and cash equivalents at year end consisted of the following:

	June 30, 2020	June 30, 2019
Checking Account - Interest Bearing	$ 499,096	$ 101,924
Checking Account - Non-Interest Bearing	1,063,590	639,279
Money Market Accounts	152,048	149,091
Cash on Hand	68,950	37,912
Total	$ 1,783,684	$ 928,206

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with maturities of three months or less.

Certificates of deposit with original maturities in excess of three months are considered to be cash, provided that the stated terms do not restrict the withdrawal of funds and such withdrawals do not have substantial penalties associated with them.

At times during the years ended June 30, 2020 and 2019, the Organization maintained cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Share Insurance Fund (NCUSIF) limits. Management believes the risk related to these excess amounts is minimal.

As of June 30, 2020 and 2019, $152,048 and $149,091, respectively, was held in money market funds that are not federally insured. Management has minimized their risk related to these money funds by investing in high quality, short term securities that are backed by high quality securities. The money market funds seek to maintain a share price of $1.00. Management does not believe it is exposed to any significant credit risk on this account and cash and cash equivalents.

(6) INVESTMENTS:

The Institute for Local Self-Reliance invested in debt securities during the year, which are subject to market fluctuations. Investments in debt securities have been measured at fair value and are recorded as such in the statement of financial position. The fair values for marketable debt securities are based on quoted market prices. Unrealized gains and losses are included in the change in net assets. A comparison of the carrying value of those financial instruments at year end was as follows:

June 30, 2020	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investments:				
Debt Securities				
Treasury Bill and Notes	$ 99,823	$ 550	$ -	$ 100,373
Total - Investments	$ 99,823	$ 550	$ -	$ 100,373

June 30, 2019	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investments:				
Debt Securities				
Treasury Bill and Notes	$ 99,477	$ 107	$ -	$ 99,584
Total - Investments	$ 99,477	$ 107	$ -	$ 99,584

Unrealized gains and losses on investments are based on the difference between cost and fair value. Net unrealized gains at June 30, 2020 and 2019 were $550 and $107, respectively.

The composition of investment return and its classification in the statement of activities for the years ended June 30, 2020 and 2019 is as follows:

	June 30, 2020	June 30, 2019
Interest and Dividends	$ 3,146	$ 3,899
Realized Gain/(Loss) on Investments	343	500
Unrealized Gain/(Loss) on Investments	443	107
Total	$ 3,932	$ 4,506

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such change could affect the amounts reported in the statement of financial position. The Institute attempts to limit its credit risk associated with investments by investing in U.S. Government securities.

(7) FAIR VALUE MEASUREMENTS:

Financial Accounting Standards Board ASC No. 820-10, *Fair Value Measurements,* establishes a framework for measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 three levels of the fair value hierarchy under FASB ASC No. 820-10 are described below:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that the organization 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 (such as interest note and yield curves);
- Inputs that 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 (Supported by little or no market activity) and not corroborated by market data. Unobservable inputs reflect the organization’s estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The asset’s or liability’s 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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 June 30, 2020.

Treasury Bills and Notes: Valued at the price of bonds and notes held by the organization at year end.

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.

(7) FAIR VALUE MEASUREMENTS: (Continued)

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2020 and 2019.

June 30, 2020

	Level 1	Level 2	Level 3	Total
Treasury Bills and Notes	$ 100,373	$ -	$ -	$ 100,373
Total	$ 100,373	$ -	$ -	$ 100,373

June 30, 2019

	Level 1	Level 2	Level 3	Total
Treasury Bills and Notes	$ 99,584	$ -	$ -	$ 99,584
Total	$ 99,584	$ -	$ -	$ 99,584

(8) ACCOUNTS, CONTRACTS AND PROMISES RECEIVABLE:

Accounts and Contracts Receivable

Accounts receivable as presented are considered fully collectible by management. Balances at June 30, 2020 and 2019 consisted of reimbursable expenses and contract revenues receivable.

The Organization's accounts receivable consists of unsecured amounts due from parties whose ability to pay is subject to changes in economic conditions. The Organization does not require collateral and was at risk for the balance of the accounts receivable at June 30, 2020 and 2019.

Contracts and other receivables are recognized as revenue on the accrual basis of accounting at the time that the program activity has occurred. Accounts receivable are stated at the amount the Organization expects to collect. Credit is extended for a period of 90 days with no interest accrual at which time payments are considered delinquent. The balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense and a credit to accounts receivable.

Promises Receivable

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Promises receivable represent amounts committed by donors that have not been received by the Organization. The Organization uses the allowance method to determine uncollectible promises to give.

(8) ACCOUNTS, CONTRACTS AND PROMISES RECEIVABLE: (Continued)

Promises Receivable (Continued)

Balances at June 30, 2020 and 2019 consisted of the following:

	June 30, 2020	June 30, 2019
Purpose Restricted	$ 1,212,584	$ 540,354
Time Restricted	-	-
Unrestricted	-	-
Total Promises Receivable	$ 1,212,584	$ 540,354

The above promises receivable are due to be received as follows:

	As of June 30, 2020	As of June 30, 2019
Less Than One Year	$ 1,092,584	$ 540,354
One to Five Years	120,000	-
Total	$ 1,212,584	$ 540,354

(9) FIXED ASSETS:

Furniture and office equipment are recorded at cost. Contributed assets are recorded at fair value. If an expenditure in excess of $500 results in an asset having an estimated useful life, which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful life of the asset. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended June 30, 2020 and 2019 was $10,901 and $8,399, respectively. Maintenance and repairs are charged to expenses as incurred. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in operating results for the period. Classification of fixed assets and their estimated useful lives are as summarized below:

June 30, 2020:

		Cost	Accumulated Depreciation	Net Book Value
Office Furniture and Equipment	3-7 years	$ 69,517	$ 48,167	$ 21,350
Leasehold Improvements	Lease Term	4,295	1,790	2,505
Total		$ 73,812	$ 49,957	$ 23,855

(9) FIXED ASSETS: (Continued)

June 30, 2019:

		Cost	Accumulated Depreciation	Net Book Value
Office Furniture and Equipment	3-7 years	$ 58,025	$ 39,319	$ 18,706
Leasehold Improvements	Lease Term	4,295	358	3,937
Total		$ 62,320	$ 39,677	$ 22,643

(10) PAYCHECK PROTECTION PROGRAM:

The Paycheck Protection Program was established under the CARES Act on March 27, 2020 and was designed to provide cash-flow assistance to small businesses including certain not-for-profit organizations. This program provides relief as a result of the Coronavirus pandemic with loan funds to pay up to 24 weeks of payroll costs including fringe benefits, rent and utilities commencing on the date of loan origination. The Paycheck Protection Program is a loan program that is guaranteed in its entirety through the Small Business Administration and offers a maturity of two years and an interest rate of one percent (1%). The principal amount of the loan may be partially or fully forgiven if the loan funds are utilized in manner consistent with the allowable use of loan proceeds.

Management of the Organization anticipates total forgiveness and the funds are being reported in accordance with FASB ASC 958-605. Due to the forgiveness being conditional on incurring the qualified expenses, the funds were accounted for as a refundable advance and were recognized as contribution revenue as the qualified expenses were incurred. The Organization applied for and received a total amount of loan proceeds in the amount of $204,400 on May 11, 2020. As of June 30, 2020, the full amount of $204,400 has been recognized as contribution income since the conditions upon which the loan proceeds were provided has been substantially met. The Organization is expecting to submit their loan forgiveness application subsequent to these financial statements being issued.

(11) RETIREMENT PLAN:

The Organization has a defined contribution retirement plan for its employees. After two years of employment, the Organization provides matching contributions to the plan of five percent (5%) of gross salaries. The matching contribution increases to seven percent (7%) after three years of employment. Pension expense was $39,859 and $38,116 for the years ended June 30, 2020 and 2019, respectively.

(12) OPERATING LEASES:

The Organization leased office space in three locations: Washington, DC, Minnesota and Maine.

Washington, DC Lease

During the year ended June 30, 2015, the Organization entered into a lease agreement for office space located at 1710 Connecticut Avenue, NW, Washington, DC. This lease began on April 1, 2015, for a period of five (5) years. This lease ended during the year ended June 30, 2020, and was extended on a month-to-month basis. The monthly payment as of June 30, 2020, is $5,983.

Minnesota Lease

This Organization leases office space located at 2720 East 22nd Street, Minneapolis, MN. This lease is month-to-month for $2,550 per month.

Maine Lease

The Organization leases office space located at 142 High Street, Portland, ME. This lease has been for one-year terms, with the most recent lease ending on February 28, 2020. On February 24, 2020, this lease was extended for a period of three (3) years, ending on February 28, 2023. The monthly rent is $637 at June 30, 2020.

Total rental expenses for the years ended June 30, 2020 and 2019 were $87,287 and $80,157, respectively. These amounts are included on the occupancy expense line in the schedule of functional expenses. Security deposits in the amount of $6,590 were made as of June 30, 2020, related to the above leases.

(13) FUNDRAISING:

Expenses in the amount of $89,677 and $91,815 were incurred for the purposes of fundraising during the years ended June 30, 2020 and 2019, respectively.

(14) EMPLOYEE BENEFITS:

Fringe Benefits

The fringe benefits for the years ended June 30, 2020 and 2019, consisted of the following:

	June 30, 2020	June 30, 2019
Social Security and Unemployment	$ 90,724	$ 72,955
Medical Insurance	212,414	188,822
Retirement	39,859	38,116
Workers Comp	3,245	3,257
Total	$ 346,242	$ 303,150

(15) COMMITMENTS:

As noted above, the Organization entered into a lease agreement which began on March 1, 2020, for the rental of office space located at 142 High Street, Portland, ME. The lease term expires on February 28, 2023. Monthly rent payments of $637 began on March 1, 2020, and increase to $656 over the course of the lease. Future minimum payments are as follows:

Year Ending June 30	
2021	$ 7,720
2022	7,872
2023	5,248
Total	$ 20,840

(16) CONCENTRATIONS:

Based on the nature and purpose of the Organization, significant revenues are received through parties interested in supporting the mission of the Organization. In addition, approximately ninety-six percent (96%) and eighty-eight percent (88%), respectively, of revenues were derived from grants and contributions for the years ended June 30, 2020 and 2019.

Pandemic

The Organization has been negatively impacted by the effects of the worldwide coronavirus pandemic. The Organization is closely monitoring its operations and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Organization's financial position is not known.

(17) RELATED PARTY TRANSACTIONS:

For the years ended June 30, 2020 and 2019, the Organization received $25,000 each year in contributions from a family member of the President.

(18) SUBSEQUENT EVENTS:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 5, 2020, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.