INSTITUTE FOR LOCAL SELF-RELIANCE

MINNEAPOLIS, MN

COMPARATIVE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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I N D E X

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Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institute for Local Self-Reliance and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the Institute for Local Self-Reliance has changed its method of accounting for leasing transactions as of July 1, 2022, due to the adoption of Financial Accounting Standards Board's Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842), as amended. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute for Local Self-Reliance's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Institute for Local Self-Reliance's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute for Local Self-Reliance's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
February 13, 2024

INSTITUTE FOR LOCAL SELF-RELIANCE
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	June 30, 2023	June 30, 2022
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 2,192,842	$ 3,741,842
Certificates of Deposit	1,010,089	-
Investments	1,609,530	1,150,459
Accounts Receivable	492,287	2,601
Interest Receivable	11,572	5,666
Promises Receivable	765,831	2,012,634
Prepaid Expenses	41,862	33,014
Total Current Assets	$ 6,124,013	$ 6,946,216
Fixed Assets:		
Office Furniture and Equipment	$ 132,898	$ 85,823
Leasehold Improvements	4,295	4,295
Less: Accumulated Depreciation and Amortization	(85,718)	(77,727)
Total Fixed Assets	$ 51,475	$ 12,391
Other Assets:		
Promises Receivable - Non-Current	$ -	$ 393,905
Security Deposits	3,089	2,990
Total Other Assets	$ 3,089	$ 396,895
TOTAL ASSETS	$ 6,178,577	$ 7,355,502
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	$ 156,601	$ 107,058
Accrued Salaries, Vacation and Benefits	157,060	119,498
Refundable Advance	83,516	56,674
Total Current Liabilities	$ 397,177	$ 283,230
Total Liabilities	$ 397,177	$ 283,230
Net Assets:		
Without Donor Restrictions	$ 3,036,666	$ 2,467,236
With Donor Restrictions	2,744,734	4,605,036
Total Net Assets	$ 5,781,400	$ 7,072,272
TOTAL LIABILITIES AND NET ASSETS	$ 6,178,577	$ 7,355,502

(See Accompanying Notes and Auditor's Report)

INSTITUTE FOR LOCAL SELF-RELIANCE
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	For the Year Ended June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support:			
Contributions	$ 1,662,230	$ 1,524,707	$ 3,186,937
Contract Revenue	314,203	-	314,203
Program Fees and Registration Fees	10,316	-	10,316
Honoraria and Consulting	20,843	-	20,843
Interest and Dividends	101,560	-	101,560
Realized and Unrealized Gains/(Losses)	1,529	-	1,529
Government Grants - Employee Retention Credit	380,737	-	380,737
Other Revenues	4,964	-	4,964
Net Assets Released from Restriction			
Satisfaction of Program Restrictions	3,385,009	(3,385,009)	-
Total Revenues, Gains and Other Support	$ 5,881,391	$ (1,860,302)	$ 4,021,089
Expenses:			
Program Services	$ 4,842,651	$ -	$ 4,842,651
Management and General	317,238	-	317,238
Fundraising	152,072	-	152,072
Total Expenses	$ 5,311,961	$ -	$ 5,311,961
Change in Net Assets	$ 569,430	$ (1,860,302)	$ (1,290,872)
Net Assets at Beginning of Year	2,467,236	4,605,036	7,072,272
Net Assets at End of Year	$ 3,036,666	$ 2,744,734	$ 5,781,400

(See Accompanying Notes and Auditor's Report)

INSTITUTE FOR LOCAL SELF-RELIANCE
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	For the Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support:			
Contributions	$ 1,712,567	$ 3,675,765	$ 5,388,332
Contract Revenue	156,753	-	156,753
Program Fees and Registration Fees	18,947	-	18,947
Honoraria and Consulting	12,711	-	12,711
Interest and Dividends	39,270	-	39,270
Realized and Unrealized Gains/(Losses)	(51,369)	-	(51,369)
Government Grants - Employee Retention Credit	-	-	-
Other Revenues	-	-	-
Net Assets Released from Restriction			
Satisfaction of Program Restrictions	3,129,144	(3,129,144)	-
Total Revenues, Gains and Other Support	$ 5,018,023	$ 546,621	$ 5,564,644
Expenses:			
Program Services	$ 3,794,902	$ -	$ 3,794,902
Management and General	368,712	-	368,712
Fundraising	121,563	-	121,563
Total Expenses	$ 4,285,177	$ -	$ 4,285,177
Change in Net Assets	$ 732,846	$ 546,621	$ 1,279,467
Net Assets at Beginning of Year	1,734,390	4,058,415	5,792,805
Net Assets at End of Year	$ 2,467,236	$ 4,605,036	$ 7,072,272

(See Accompanying Notes and Auditor's Report)

INSTITUTE FOR LOCAL SELF-RELIANCE
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

June 30, 2023

			Program Services								Supporting Services	
	Total	Total Program Services	Community Broadband Networks	Energy Democracy	Independent Business	The Public Good	Composting for Community	Waste to Wealth	Communications	Total Supporting Services	General and Administrative	Fundraising
Expenses:												
Salaries	$ 2,184,696	$ 1,932,515	$ 511,569	$ 241,933	$ 572,101	$ 33,332	$ 333,710	$ 12,696	$ 227,174	$ 252,181	$ 146,875	$ 105,306
Payroll Taxes	164,128	150,488	39,877	18,918	44,196	2,584	25,947	1,012	17,954	13,640	7,892	5,748
Benefits	470,854	414,932	111,844	52,981	125,080	7,387	64,623	2,926	50,091	55,922	32,758	23,164
Total Salaries, Payroll Taxes and Benefits	$ 2,819,678	$ 2,497,935	$ 663,290	$ 313,832	$ 741,377	$ 43,303	$ 424,280	$ 16,634	$ 295,219	$ 321,743	$ 187,525	$ 134,218
Consultants	$ 875,626	$ 857,721	$ 133,945	$ 204,524	$ 304,702	$ 124	$ 8,150	$ 172,324	$ 33,952	$ 17,905	$ 15,539	$ 2,366
Subgrant Expense	1,168,500	1,168,500	160,000	454,500	-	-	-	-	554,000	-	-	-
Professional Fees	67,830	-	-	-	-	-	-	-	-	67,830	67,830	-
Website and Design	11,146	9,917	1,805	582	5,042	60	630	54	1,744	1,229	280	949
Telephone and Internet	13,479	12,017	3,510	1,422	3,393	202	1,992	76	1,422	1,462	815	647
Office Expenses	61,736	43,900	18,281	3,311	6,981	362	11,050	16	3,899	17,836	11,411	6,425
Postage and Shipping	2,078	638	135	-	451	-	52	-	-	1,440	94	1,346
Travel and Meals	82,207	74,844	34,382	2,169	10,419	30	9,162	40	18,642	7,363	6,556	807
Conferences and Meeting Expense	107,112	103,976	14,939	3,990	4,961	2	50,746	-	29,338	3,136	3,001	135
Printing and Copying	2,206	195	-	-	-	-	129	-	66	2,011	75	1,936
Publications and Dues	22,876	17,528	6,098	2,267	3,301	167	1,981	46	3,668	5,348	4,815	533
Equipment Rental and Maintenance	784	504	504	-	-	-	-	-	-	280	280	-
Occupancy	44,870	38,052	8,586	9,775	9,512	561	5,576	237	3,805	6,818	5,119	1,699
Insurance	11,548	9,771	2,463	1,318	2,775	151	1,736	40	1,288	1,777	1,325	452
Taxes and Other Filing Fees	12,292	44	-	44	-	-	-	-	-	12,248	12,020	228
Depreciation	7,993	7,109	1,881	875	2,037	124	1,229	66	897	884	553	331
Total Expenses	$ 5,311,961	$ 4,842,651	$ 1,049,819	$ 998,609	$ 1,094,951	$ 45,086	$ 516,713	$ 189,533	$ 947,940	$ 469,310	$ 317,238	$ 152,072

(See Accompanying Notes and Auditor's Report)

INSTITUTE FOR LOCAL SELF-RELIANCE
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	June 30, 2022											
			Program Services								Supporting Services	
	Total	Total Program Services	Community Broadband Networks	Energy Democracy	Independent Business	The Public Good	Composting for Community	Waste to Wealth	Communications	Total Supporting Services	General and Administrative	Fundraising
Expenses:												
Salaries	$ 1,921,847	$ 1,664,248	$ 522,690	$ 175,651	$ 465,810	$ 32,746	$ 252,681	$ 74,898	$ 139,772	$ 257,599	$ 178,598	$ 79,001
Payroll Taxes	161,084	141,476	44,778	14,918	39,740	2,793	21,581	6,322	11,344	19,608	12,914	6,694
Benefits	431,081	380,529	119,785	42,729	113,168	8,123	46,868	17,950	31,906	50,552	30,986	19,566
Total Salaries, Payroll Taxes and Benefits	$ 2,514,012	$ 2,186,253	$ 687,253	$ 233,298	$ 618,718	$ 43,662	$ 321,130	$ 99,170	$ 183,022	$ 327,759	$ 222,498	$ 105,261
Consultants	$ 487,170	$ 476,721	$ 39,449	$ 9,732	$ 159,155	$ 545	$ 21,018	$ 9,775	$ 237,047	$ 10,449	$ 5,919	$ 4,530
Subgrants	814,400	814,400	46,805	297,500	188,840	-	-	-	281,255	-	-	-
Professional Fees	106,134	-	-	-	-	-	-	-	-	106,134	106,134	-
Website and Design	66,876	63,457	48,626	1,043	10,645	184	1,853	409	697	3,419	2,202	1,217
Telephone and Internet	13,605	11,461	3,603	1,272	3,195	224	1,737	508	922	2,144	1,602	542
Office and Computer Supplies	51,148	39,155	16,840	2,341	9,461	183	8,108	391	1,831	11,993	7,716	4,277
Postage and Shipping	2,696	1,245	1,162	8	20	1	23	27	4	1,451	319	1,132
Travel and Meals	74,687	71,031	58,916	549	9,703	-	960	44	859	3,656	3,656	-
Conferences and Meeting Expense	58,165	56,546	50,949	347	1,155	44	3,410	231	410	1,619	1,450	169
Printing and Copying	1,936	376	282	-	-	-	94	-	-	1,560	-	1,560
Publications and Dues	23,508	17,954	8,263	1,228	2,194	96	2,160	327	3,686	5,554	5,328	226
Equipment Rental and Maintenance	2,880	1,501	1,501	-	-	-	-	-	-	1,379	1,379	-
Occupancy	39,913	35,072	11,081	3,699	9,789	688	5,411	1,558	2,846	4,841	3,163	1,678
Insurance	9,369	8,403	2,743	911	2,259	151	1,324	372	643	966	540	426
Taxes and Other Filing Fees	5,798	15	-	15	-	-	-	-	-	5,783	5,776	7
Depreciation	12,880	11,312	3,576	1,193	3,175	223	1,727	505	913	1,568	1,030	538
Total Expenses	$ 4,285,177	$ 3,794,902	$ 981,049	$ 553,136	$ 1,018,309	$ 46,001	$ 368,955	$ 113,317	$ 714,135	$ 490,275	$ 368,712	$ 121,563

(See Accompanying Notes and Auditor's Report)

INSTITUTE FOR LOCAL SELF-RELIANCE
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	June 30, 2023	June 30, 2022
Cash Flows from Operating Activities		
Change in Net Assets	$ (1,290,872)	$ 1,279,467
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:		
Depreciation Expense	7,993	12,880
Unrealized (Gain)/Loss on Investments	(36,352)	50,751
(Increase)/Decrease in Assets:		
Accounts Receivable	(489,686)	96,168
Promises Receivable	1,640,708	118,127
Prepaid Expenses	(8,848)	(8,050)
Security Deposits	(99)	-
Interest Receivable	(5,906)	(575)
Increase/(Decrease) in Liabilities:		
Accounts Payable	49,543	68,600
Refundable Advance	26,842	56,674
Accrued Salaries, Vacation and Benefits	37,560	26,150
Net Cash Flows from Operating Activities	$ (69,117)	$ 1,700,192
Cash Flows from Investing Activities		
Purchase of Property and Equipment	$ (47,075)	$ (5,829)
Purchase of Investments	(1,727,438)	(1,190,862)
Purchase of Certificates of Deposit	(1,010,089)	-
Sale of Certificates of Deposit	-	50,015
Sale of Investments	1,304,719	632,490
Net Cash Flows from Investing Activities	$ (1,479,883)	$ (514,186)
Net Increase/(Decrease) in Cash	$ (1,549,000)	$ 1,186,006
Cash and Cash Equivalents at Beginning of Year	3,741,842	2,555,836
Cash and Cash Equivalents at End of Year	$ 2,192,842	$ 3,741,842

Supplemental Disclosures:

No interest or income taxes were paid during the years ended June 30, 2023 or 2022.

(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, 2023, 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.

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.

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.

The Public Good
Changing the narrative that currently views the private sector as sacred and the public sector as inherently harmful. Identifies research that challenges this narrative and educates the general public about the benefits of public goods and the risks attendant to a culture providing immense subsidies to privatization in all sectors.

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.

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.

(1) ORGANIZATION: (Continued)

Basic Programs (Continued)

Communications
ILSR's communications outreach program builds relationships with reporters, media outlets, and other allies to gain widespread coverage of our reports, activities, and perspectives on critical policy issues. Our communications team is responsible for our web site, social media networks and delivering content via ILSR's various newsletters and podcasts, including our flagship channel, Building Local Power, which continues to lift up successful grassroots campaigns and popularize understanding of anti-monopoly strategy and policy across a range of economic sectors. Our communications program also holds pass-through grant funds from a number of foundations that are distributed to a network of grassroots organizations that are part of the Athena Coalition.

(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 accounting and reporting standards surrounding contributions. These standards affect financial statement reporting and disclosures included within the body of the financial statements. The 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.

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

(b) Revenue Recognition: (Continued)

Contributions (Continued)

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.

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.

Exchange Transactions

The Organization has adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, “Revenue for Contracts with Customers,” and a series of amendments which together hereinafter are referred to as “ASC Topic 606.” This standard outlines a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers (donors). Central to the revenue recognition framework is a five-step revenue recognition model that requires reporting entities to:

1. Identify the contract;
2. Identify the performance obligations of the contract;
3. Determine the transaction price of the contract;
4. Allocate the transaction price to the performance obligations, and;
5. Recognize revenue.

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

(b) Revenue Recognition: (Continued)

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:

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.

Designation of Net Assets - From time to time, the Board of Directors designates a portion of the Organization's unrestricted net assets for purposes that are of importance to the Organization. Board designated net assets at year-end were as follows:

	June 30, 2023	June 30, 2022
Board Reserve Fund	$ 390,000	$ 390,000

The Board reserve fund is intended for future use in a situation of significant financial need by the Organization.

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

(d) Net Assets: (Continued)

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, 2023	June 30, 2022
Composting for Community	$ 206,511	$ 367,868
Energy Democracy	650,000	1,026,684
Independent Business	405,235	866,324
Community Broadband Networks	1,112,321	1,487,047
Time Restricted	370,667	857,113
Total Net Assets Available	$ 2,744,734	$ 4,605,036

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, 2023	June 30, 2022
Composting for Community	$ 351,616	$ 343,155
Energy Democracy	766,683	481,316
Independent Business	743,589	1,064,688
Community Broadband Networks	984,175	844,100
Waste to Wealth	15,000	9,500
The Public Good	-	25,000
Sponsorships	37,500	-
Time Restricted	486,446	361,385
Total Net Assets Released from Restrictions	$ 3,385,009	$ 3,129,144

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

(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, 2023 and 2022.

(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.

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.

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

(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) Certificates of Deposit:

Certificates of deposit are other investments with original maturities greater than three months and are carried at cost. The certificates of deposit do not qualify as securities as defined in Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC") 320, *Investments - Debt and Equity Securities*, thus the fair value disclosures required by ASC 820, *Fair Value Measurements and Disclosures*, are not provided.

(j) 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.

(k) Right-of-Use ("ROU") Assets (Operating and Finance Leases):

A right-of-use asset is measured at the commencement date of a lease at the amount of the initially measured liability plus any lease payments made to the lessor before or after the commencement date, minus any lease incentives received, plus any initial direct costs. This is completed for leases greater than twelve (12) months in duration. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, and the addition or subtraction of any prepaid lease payments (accrued lease payments, less the unamortized balance of lease incentives received.) Operating lease payments are recognized on a straight-line basis over the lease term. Finance Lease ROU assets are amortized on a straight-line basis of the shorter of the lease term or the remaining useful life of the asset.

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

(l) Lease Liability:

The Institute accounts for leases in accordance with FASB ASC Topic 842. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line rent expense over the lease term. Variable lease expenses, if any, are recognized when incurred. A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date.

(m) Reclassifications:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the change in the net assets or to total net assets from prior years.

(3) CHANGE IN ACCOUNTING PRINCIPLES:

Effective July 1, 2022, the Institute adopted the Financial Accounting Standard Board's Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*, as amended. This guidance is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases.

The Institute adopted FASB ASC Topic 842, with an initial application of July 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. The Institute did not restate prior comparative periods as presented under ASC Topic 842, and instead evaluated whether a cumulative effect adjustment to net assets as of July 1, 2022, was necessary for the cumulative impact of the adoption of FASB ASC Topic 842.

As part of the transition, the Institute implemented new controls and key system functionality to enable the preparation of financial information on adoption and elected to apply the following practical expedients:

- No reassessment of whether any expired or existing contracts contain a lease,
- No reassessment of the lease classification for any expired or existing leases, and
- No reassessment of initial direct costs for any existing leases as of the effective date.
- In calculating the right-of-use assets and lease liability, the Institute has elected to combine lease and non-lease components.
- As an accounting policy, the Institute has elected to apply the short-term lease exception to all leases having initial terms of 12 months or less and recognizes rent expense on a straight-line basis over the lease term.
- As an accounting policy, the Institute has elected the risk-free discount rate to be applied to all leases.

(4) 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, 2023	June 30, 2022
Financial Assets at Year End:		
Cash and Cash Equivalents	$ 3,202,931	$ 3,741,842
Investments	1,609,530	1,150,459
Interest Receivable	11,572	5,666
Accounts Receivable	492,287	2,601
Promises Receivable	765,831	2,406,539
Total Financial Assets	$ 6,082,151	$ 7,307,107
Less Amounts Not Available for General Expenditure Within One Year Due to:		
Donor-Imposed Time Restrictions	$ -	$ 857,113
Long-Term Promises Receivable not included in Time Restrictions	-	425,446
Board Designated Funds	390,000	390,000
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$ 5,692,151	$ 5,634,548

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.

(5) 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, 2023, 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, 2023, the statute of limitations for tax years 2019 through 2021 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, 2023, the Organization had no accruals for interest and/or penalties.

(6) CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT:

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

	June 30, 2023	June 30, 2022
Checking Account - Interest Bearing	$ 226,852	$ 3,477,331
Savings Accounts	1,762,390	-
Money Market Accounts	175,939	226,754
Cash on Hand	27,661	37,757
Total	$ 2,192,842	$ 3,741,842

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 are valued at cost. As of June 30, 2023, $1,010,089 was held in certificates of deposit. There were no certificates of deposit as of June 30, 2022.

At times during the years ended June 30, 2023 and 2022, the Organization maintained cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. The Organization has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk or cash and cash equivalents.

(7) 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, 2023

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investments:				
Debt Securities				
Government Bonds	$ 75,047	$ 73	$ -	$ 75,120
Corporate Bonds	1,534,617	-	(207)	1,534,410
Total - Investments	$ 1,609,664	$ 73	$ (207)	$ 1,609,530

(7) INVESTMENTS: (Continued)

June 30, 2022

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investments:				
Debt Securities				
Government Bonds	$ 60,015	$ 26	$ -	$ 60,041
Corporate Bonds	1,112,443	-	(22,025)	1,090,418
Total - Investments	$ 1,172,458	$ 26	$ (22,025)	$ 1,150,459

Unrealized gains and losses on investments are based on the difference between cost and fair value. Net unrealized gains/(losses) at June 30, 2023 and 2022 were $(134) and $(21,999), respectively.

The composition of investment return and its classification in the statement of activities for the years ended June 30, 2023 and 2022 is as follows:

	June 30, 2023	June 30, 2022
Interest and Dividends	$ 101,560	$ 39,270
Realized and Unrealized Gain/(Loss) on Investments	1,529	(51,369)
Total	$ 103,089	$ (12,099)

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.

(8) 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).

(8) FAIR VALUE MEASUREMENTS: (Continued)

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, 2023.

Government Bonds and Corporate Bonds: 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.

(8) 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, 2023 and 2022.

June 30, 2023

	Level 1	Level 2	Level 3	Total
Government Bonds	$ 75,120	$ -	$ -	$ 75,120
Corporate Bonds	1,534,410	-	-	1,534,410
Total	$ 1,609,530	$ -	$ -	$ 1,609,530

June 30, 2022

	Level 1	Level 2	Level 3	Total
Government Bonds	$ 60,041	$ -	$ -	$ 60,041
Corporate Bonds	1,090,418	-	-	1,090,418
Total	$ 1,150,459	$ -	$ -	$ 1,150,459

(9) ACCOUNTS, CONTRACTS AND PROMISES RECEIVABLE:

Accounts and Contracts Receivable

Accounts receivable as presented are considered fully collectible by management. Balances at June 30, 2023 and 2022 were $492,287 and $2,601, respectively, which consisted of reimbursable expenses, contract revenues receivable, and the employee retention credit.

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, 2023 and 2022.

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.

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

Promises Receivable (Continued)

Balances at June 30, 2023 and 2022 consisted of the following:

	June 30, 2023	June 30, 2022
Purpose Restricted	$ 415,831	$ 1,453,199
Time Restricted	350,000	728,340
Unrestricted	-	225,000
Total Promises Receivable	$ 765,831	$ 2,406,539

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

	As of June 30, 2023	As of June 30, 2022
Less Than One Year	$ 765,831	$ 2,012,634
One to Five Years	-	393,905
Total	$ 765,831	$ 2,406,539

(10) 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, 2023 and 2022 was $7,993 and $12,880, 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, 2023:

		Cost	Accumulated Depreciation	Net Book Value
Office Furniture and Equipment	3-7 years	$ 132,898	$ 81,423	$ 51,475
Leasehold Improvements	Lease Term	4,295	4,295	-
Total		$ 137,193	$ 85,718	$ 51,475

(10) FIXED ASSETS: (Continued)

June 30, 2022:

		Cost	Accumulated Depreciation	Net Book Value
Office Furniture and Equipment	3-7 years	$ 85,823	$ 73,432	$ 12,391
Leasehold Improvements	Lease Term	4,295	4,295	-
Total		$ 90,118	$ 77,727	$ 12,391

(11) EMPLOYEE RETENTION TAX CREDIT:

The Employee Retention Tax Credit (ERC) is an incentive originally created within the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) intended to encourage employers to keep employees on the payroll throughout the pandemic. The ERC is a refundable payroll tax credit for wages paid and health coverage provided by an employer whose operations were either fully or partially suspended due to a COVID-19-related governmental order or that experienced a significant reduction in gross receipts.

Under the CARES Act, organizations could take advantage of either the Paycheck Protection Program or the Employee Retention Tax Credit, but not both. The Consolidated Appropriations Act of December 2020 (Relief Act) eliminated this limitation and permitted organizations to claim both the ERC and participate in the Paycheck Protection Program retroactive to March 12, 2020. The Organization applied for a refund in the amount of $385,691 which has been recognized as revenue during the year ended June 30, 2023.

(12) 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 $81,739 and $65,103 for the years ended June 30, 2023 and 2022, respectively.

(13) OPERATING LEASES:

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

Washington, DC Lease

The Organization rents space as a virtual office in Washington, DC, on a month-to-month basis at a cost of $75 per month.

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.

(13) OPERATING LEASES: (Continued)

Maine Lease

The Organization leases office space located at 44 Exchange Street, Suite 304, Portland, ME. The monthly rent is $800 on this lease. This lease began on March 1, 2023, and extends through February 28, 2024. Prior to this lease, the Organization rented space at another location in Portland at a rate of $675 per month.

Total rental expenses for the years ended June 30, 2023 and 2022 were $43,967 and $39,697, respectively. These amounts are included on the occupancy expense line in the schedule of functional expenses.

Quantitative Lease Disclosures Summary

The following summarizes certain presented and additional quantitative lease disclosures required under ASC Topic 842 for the year ended June 30, 2023:

Lease Cost	
Operating Lease Cost	$ -
Short-term Lease Cost	43,967
Variable Lease Cost	-
Total Lease Cost	$ 43,967

(14) FUNDRAISING:

Expenses in the amount of $152,072 and $121,563 were incurred for the purposes of fundraising during the years ended June 30, 2023 and 2022, respectively.

(15) EMPLOYEE BENEFITS:

Fringe Benefits and Payroll Tax Expense

The fringe benefits for the years ended June 30, 2023 and 2022, consisted of the following:

	June 30, 2023	June 30, 2022
Social Security and Unemployment	$ 164,128	$ 161,084
Medical Insurance	383,411	362,131
Retirement	81,739	65,103
Workers Comp	5,704	3,847
Total	$ 634,982	$ 592,165

(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 eighty-seven percent (87%) and ninety-six percent (96%) of revenues were derived from grants and contributions for each of the years ended June 30, 2023 and 2022, respectively.

(17) SUBSEQUENT EVENTS:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through February 13, 2024, 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.