Financial Statements
June 30, 2020 and 2019

Institute of Lutheran Theology

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Independent Auditor's Report

The Board of Directors
Institute of Lutheran Theology
Brookings, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the Institute of Lutheran Theology (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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Institute of Lutheran Theology 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.

Eide Bailly LLP

Sioux Falls, South Dakota
October 2, 2020

	2020	2019
Assets		
Cash and cash equivalents	$ 170,672	$ 39,901
Restricted certificate of deposit	6,228	6,100
Accounts receivable, net	28,415	13,021
Promises to give	14,125	50,000
Prepaid expenses	5,338	7,418
Inventory	6,010	6,010
Property and equipment, net	2,042,676	1,578,260
Total assets	$ 2,273,464	$ 1,700,710
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	$ 82,175	$ 52,801
Security deposits	2,050	2,050
Unearned revenue	56,805	22,937
Note payable, net of unamortized debt issuance costs	710,945	594,809
Paycheck Protection Program (PPP) and EIDL loans	115,000	-
Total liabilities	966,975	672,597
Net Assets		
Without donor restrictions	1,261,295	973,611
With donor restrictions	45,194	54,502
Total net assets	1,306,489	1,028,113
Total liabilities and net assets	$ 2,273,464	$ 1,700,710

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Gains			
Contributions	$ 508,451	$ 122,469	$ 630,920
Educational ministry income	57,903	-	57,903
Tuition and fees	289,668	-	289,668
Less: tuition assistance	(69,659)	-	(69,659)
Net tuition and fees	220,009	-	220,009
In-kind contributions	486,931	-	486,931
Rental income	96,050	-	96,050
Less: rental expenses	(63,651)	-	(63,651)
Net rental income	32,399	-	32,399
Other income	4,485	-	4,485
Net assets released from restrictions	131,777	(131,777)	-
Total revenue, support and gains	1,441,955	(9,308)	1,432,647
Expenses and losses			
Program services			
Graduate programs	259,943	-	259,943
Certificate programs	48,347	-	48,347
Student services	50,665	-	50,665
Total program services	358,955	-	358,955
Management and general	618,905	-	618,905
Fundraising and development	176,411	-	176,411
Total expenses and losses	1,154,271	-	1,154,271
Change in Net Assets	287,684	(9,308)	278,376
Net Assets, Beginning of Year	973,611	54,502	1,028,113
Net Assets, End of Year	$ 1,261,295	$ 45,194	$ 1,306,489

	2019 Without Donor Restrictions	2019 With Donor Restrictions	2019 Total
Revenue, Support and Gains			
Contributions	$ 609,763	$ 107,236	$ 716,999
Educational ministry income	69,308	-	69,308
Tuition and fees	226,204	-	226,204
Less: tuition assistance	(46,101)	-	(46,101)
Net tuition and fees	180,103	-	180,103
In-kind contributions	36,904	-	36,904
Unrealized loss on investments	(465)	-	(465)
Rental income	94,138	-	94,138
Less: rental expenses	(67,531)	-	(67,531)
Net rental income	26,607	-	26,607
Other income	2,999	-	2,999
Net assets released from restrictions	105,598	(105,598)	-
Total revenue, support and gains	1,030,817	1,638	1,032,455
Expenses and losses			
Program services			
Graduate programs	147,887	-	147,887
Certificate programs	53,863	-	53,863
Student services	41,633	-	41,633
Total program services	243,384	-	243,384
Management and general	572,619	-	572,619
Fundraising and development	205,457	-	205,457
Total expenses and losses	1,021,459	-	1,021,459
Change in Net Assets	9,358	1,638	10,996
Net Assets, Beginning of Year	964,253	52,864	1,017,117
Net Assets, End of Year	$ 973,611	$ 54,502	$ 1,028,113

	Program Services						
	Graduate Programs	Certificate Programs	Student Services	Total	Management and General	Fundraising and Development	Total
Salaries and wages	$ 240,757	$ 29,161	$ 12,703	$ 282,621	$ 382,329	$ 90,621	$ 755,571
Employee benefits and payroll taxes	6,114	6,114	6,114	18,342	40,155	-	58,497
Professional services	-	-	8,793	8,793	30,511	-	39,304
Supplies and office expense	13,072	13,072	-	26,144	39,216	6,921	72,281
Telephone	-	-	-	-	8,796	-	8,796
Postage and shipping	-	-	237	237	89	3,238	3,564
Occupancy	-	-	-	-	28,516	-	28,516
Insurance	-	-	-	-	16,395	-	16,395
Printing and publications	-	-	-	-	-	3,483	3,483
Travel and meetings	-	-	11,820	11,820	6,115	6,045	23,980
Depreciation	-	-	-	-	22,515	-	22,515
Classroom	-	-	-	-	37,081	-	37,081
Advertising and promotion	-	-	-	-	6,044	65,895	71,939
Bad debts (recoveries)	-	-	-	-	(6,600)	-	(6,600)
Library	-	-	10,998	10,998	-	-	10,998
Other	-	-	-	-	7,743	208	7,951
Total expenses included in the expense section on the statement of activities	$ 259,943	$ 48,347	$ 50,665	$ 358,955	$ 618,905	$ 176,411	$ 1,154,271

	Program Services						
	Graduate Programs	Certificate Programs	Student Services	Total	Management and General	Fundraising and Development	Total
Salaries and wages	$ 134,613	$ 40,769	$ 12,703	$ 188,086	$ 330,766	$ 123,061	$ 641,912
Employee benefits and payroll taxes	4,833	4,833	4,833	14,498	10,522	-	25,019
Professional services	330	330	6,566	7,226	31,011	-	38,236
Supplies and office expense	8,112	7,932	3,287	19,330	26,020	10,723	56,073
Telephone	-	-	-	-	8,905	-	8,905
Postage and shipping	-	-	157	157	1,720	3,536	5,413
Occupancy	-	-	-	-	30,362	-	30,362
Insurance	-	-	-	-	17,087	-	17,087
Printing and publications	-	-	-	-	-	21,604	21,604
Travel and meetings	-	-	3,178	3,178	10,040	16,505	29,723
Depreciation	-	-	-	-	23,015	-	23,015
Classroom	-	-	-	-	16,777	-	16,777
Advertising and promotion	-	-	-	-	46,533	30,028	76,561
Bad debts	-	-	-	-	15,428	-	15,428
Library	-	-	10,910	10,910	-	-	10,910
Other	-	-	-	-	4,434	-	4,434
Total expenses included in the expense section on the statement of activities	$ 147,887	$ 53,863	$ 41,633	$ 243,384	$ 572,619	$ 205,457	$ 1,021,459

	2020	2019
Operating Activities		
Change in net assets	$ 278,376	$ 10,996
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation	22,515	23,015
Interest expense attributable to unamortized debt issuance costs	1,824	1,824
Unrealized loss on investments	-	465
In-kind donation of books	(486,931)	(37,580)
Changes in operating assets and liabilities		
Accounts receivable	(15,394)	16,302
Promises to give	35,875	(50,000)
Prepaid expenses	2,080	(3,339)
Inventory	-	(6,010)
Accounts payable and accrued liabilities	29,374	(8,290)
Unearned revenue	33,868	21,566
Net Cash used for Operating Activities	(98,413)	(31,051)
Investing Activities		
Purchase of restricted certificate of deposit	(128)	(6,100)
Withdrawals of assets held by InFaith Community Foundation	-	31,165
Net Cash from (used for) Investing Activities	(128)	25,065
Financing Activities		
Principal payments on long-term debt	(35,688)	(36,323)
Proceeds from issuance of long-term debt	150,000	-
Proceeds from issuance of PPP and EIDL loans	115,000	-
Net Cash from (used for) Financing Activities	229,312	(36,323)
Net Change in Cash and Cash Equivalents	130,771	(42,309)
Cash and Cash Equivalents, Beginning of Year	39,901	82,210
Cash and Cash Equivalents, End of Year	$ 170,672	$ 39,901
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	$ 27,651	$ 30,502

Note 1 - Principal Activity and Significant Accounting Policies

Organization

The Institute of Lutheran Theology (the Institute) is a Christian faith community, seminary and graduate school that rigorously equips faithful pastors, teachers and lay people to effectively proclaim the gospel and serve Christ's church throughout the world. The Institute has fully-credentialed faculty members and a complete staff to serve students and faculty. The Institute fulfills its mission by focusing its efforts in the following areas:

Graduate Programs

The Institute began offering graduate classes in 2009. The Institute offers graduate programs to prepare students to effectively share the truth of Jesus Christ to the world through preaching, teaching, and pastoral ministry. The Institute offers seven graduate degree programs: Master of Arts in Religion, Master of Ministry, Master of Divinity, Master of Military Chaplaincy, Master of Sacred Theology, Doctor of Ministry, and Doctor of Philosophy.

Certificate Programs

The Institute offers certificates for those preparing to fulfill their calling to ministry within their vocation or entering directly into congregational service. Courses are offered online and occasionally in person at various sites. There are four certificate programs and one bible study training series: Faith & Life Certificate, Youth & Family Certificate, Pastoral Ministry Certificate, Life and Christ Certificate, and Teacher training for the Bethel Bible Series.

Student Services

The Institute provides student services in the form of academic counseling, vocational discernment, communities of faith, and pastoral counseling.

Cash and Cash Equivalents

The Institute considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building project, permanent endowment, or other long-term purposes are excluded from this definition.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for student charges for tuition and fees. Receivables from contracts with customers are reported as accounts receivable in the accompanying statements of financial position. The Institute determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2020 and 2019, the allowance was $14,600 and $25,300, respectively.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. Management determined that no allowance was necessary as of June 30, 2020 and 2019.

Property and Equipment

Property and equipment additions over $1,500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to thirty-nine years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2020 and 2019.

Beneficial Interest in Assets Held by Community Foundation

The Institute established an endowment fund (the Fund) with the InFaith Community Foundation (the Foundation) and named itself beneficiary. The Institute granted variance power to the Foundation which allowed the Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the Foundation’s Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund was held and invested by the Foundation for the Institute’s benefit and was reported at fair value in the statement of financial position, with changes in fair value recognized in the statement of activities. The Fund was liquidated during the year ended June 30, 2019.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Institute reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statements of activities as net assets released from restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Revenue is recognized when earned. Student tuition and fees received in advance of services to be rendered are reported as unearned revenue and deferred to the applicable period in which the related services are performed. Tuition assistance provided by the Institute is reflected as a reduction in gross tuition.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method, which produces a result similar that of the effective interest method. Debt issuance costs are included within long-term debt in the statements of financial position. Amortization of debt issuance costs is included in interest expense in the accompanying financial statements.

Advertising Costs

Advertising costs are expensed as incurred, and were $71,939 and $76,561 during the years ended June 30, 2020 and 2019, respectively.

Donated Services and In-Kind Contributions

Contributed supplies, marketable securities, certain services and other noncash donations are recorded at fair value at the date of donation.

Income Taxes

The Institute is organized as a South Dakota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. The entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Institute files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. To date, the Institute has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members and students supportive of the Institute's mission. Investments are made by diversified investment managers whose performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Institute.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated amount the program and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, professional services, office expenses, postage and shipping, and travel, which are allocated on the bases of estimates of time and effort.

Change in Accounting Policy

As of July 1, 2019, the Institute has adopted Accounting Standards Update (ASU) No. 2014-09 - *Revenue from Contracts with Customers (Topic 606)*, as amended, and management believes the standard improves the usefulness and understandability of the Institute's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Institute recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Subsequent Events

Subsequent events have been evaluated through October 2, 2020, the date the financial statements were available to be issued. The Institute has been impacted by the effects of the world-wide coronavirus pandemic. The Institute is closely monitoring its operations, liquidity, and capital resources 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 Institute's management does not expect the pandemic to have a significant impact on operations, liquidity or capital resources.

Note 2 - Liquidity and Availability

The Institute of Lutheran Theology regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Institute's primary source of liquidity is cash and cash equivalents. Sources for cash and cash equivalents include tuition, donations, and rentals. Tuition is billed four times per year, donations are collected throughout the year, and rental income is collected monthly.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Institute considers all expenditures related to its ongoing activities of teaching and student services as well as the conduct of services undertaken to support those activities to be general expenditures. Restricted cash is typically not available to meet current operating needs; however, during the year ended June 30, 2019, some of the restricted funds were used for operations. The Institute intends to replenish the restricted funds before December 31, 2020.

In addition to financial assets available to meeting general expenditures over the next 12 months, the Institute operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statements of activities which identify the sources and uses of the Institute's cash. As indicated on the statements of cash flows, cash generated by operations was negative for the years ended June 30, 2020 and 2019 but was replenished subsequent to the fiscal year end.

As of June 30, 2020, the following shows the total financial assets held by the Institute, and the amounts of those financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	$ 170,672
Accounts receivable, net	28,415
	$ 199,087

Note 3 - Fair Value Measurements and Disclosures

The Institute reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, the Institute develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset.

The fair value of the Institute's beneficial interest in assets held by InFaith Community Foundation at June 30, 2019, was based on the fair value of the fund investments as reported by the InFaith Community Foundation. This was considered to be a Level 3 measurement. Below is a reconciliation of the beginning and ending balances of the Institute's beneficial interest in assets held by InFaith Community Foundation, measured at fair value on a recurring basis using significant unobservable inputs (Level 3), for the year ended June 30, 2019:

	2019
Balance, beginning of year	$ 31,630
Withdrawals	(31,165)
Interest and dividends	22
Net realized and unrealized gain (loss)	(487)
Balance, end of year	$ -

Note 4 - Promises to Give

At June 30, 2020, there was a single promise to give of $14,125, due within one year, receivable from an estate. At June 30, 2019, there was a single promise to give of $50,000, due within one year, receivable from the President of the Institute. No allowance for uncollectable promises to give was considered necessary.

Note 5 - Property and Equipment

Property and equipment consists of the following as of June 30, 2020 and 2019:

	2020	2019
Land	$ 204,000	$ 204,000
Library books (donated)	1,538,386	1,051,455
Buildings	726,000	726,000
Capital improvements	26,902	26,902
Office equipment and fixtures	11,549	11,549
	2,506,837	2,019,906
Less accumulated depreciation	(464,161)	(441,646)
	$ 2,042,676	$ 1,578,260

Note 6 - Net Assets with Donor Restrictions

Net assets with donor restrictions for the following purposes or periods:

	2020	2019
Subject to expenditure for specified purpose		
Financial aid	$ 8,336	$ 11,334
Library fund	2,190	2,985
International Partners	24,270	25,040
Scholarships and tuition	4,298	9,043
	39,094	48,402
Endowments, earnings from which are subject to a specified purpose		
Dmin-Bunkowske	5,000	5,000
LCMC student aid - Clarke Family	1,100	1,100
	6,100	6,100
	$ 45,194	$ 54,502

Net assets were released from restrictions as follows during the years ended June 30, 2020 and 2019:

	2020	2019
Financial aid	$ 42,414	$ 40,751
Library fund	2,496	-
International Partners	3,483	21,604
Scholarships and tuition	7,500	9,445
Other special projects	75,884	33,798
	$ 131,777	$ 105,598

Note 7 - Leases

The Institute leases office equipment under an operating lease expiring in July 2022. Future minimum lease payments due are as follows:

Years Ending June 30,	
2021	$ 2,316
2022	2,316
2023	193
	$ 4,825

Note 8 - Line of Credit

The Institute has a $75,000 revolving line of credit with a bank, secured by a commercial security agreement and the personal guarantee of the President of the Institute. Borrowings under the line bear interest at a rate of 4.25%. The Institute did not have a balance outstanding on this line of credit at June 30, 2020 and 2019.

Note 9 - Long-Term Debt

Long-term debt consists of the following at June 30, 2020 and 2019:

	2020	2019
4.75% note payable to a bank, due in monthly installments of $5,278, including interest, due in February 2022, secured by a mortgage, net of unamortized debt issuance costs of $4,711 in 2019 and $6,535 in 2018, based on an effective interest rate of 5.05%	$ 560,945	$ 594,809
2.75% note payable to a bank, due in monthly installments of $641 including interest, due in April 2050, secured by all assets	150,000	-
	710,945	594,809
Less current maturities	(33,837)	(35,156)
	$ 677,108	$ 559,653

Future maturities of long-term debt, and future amortization of deferred debt issuance costs, are as follows:

Years Ending June 30,	Amount
2021	$ 33,837
2022	530,395
2023	3,623
2024	3,724
2025	3,828
Thereafter	138,425
Unamortized debt issuance costs	(2,887)
	$ 710,945

Note 10 - Paycheck Protection Program (PPP) and Economic Injury Disaster (EIDL) Loans

The Institute was granted a $105,000 loan under the PPP administered by a Small Business Administration (SBA) approved partner, and a $10,000 loan under the EIDL administered by a SBA approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Institute is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Institute has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan. Proceeds from the loan are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. No revenue has been recorded for the years ended June 30, 2020 and 2019 from this funding. The Institute will be required to repay any remaining balance, plus interest accrued at 1 percent, in monthly payments commencing upon notification of forgiveness or partial forgiveness.

Note 11 - Related Parties

The President of the Institute is the CEO of Old Sanctuary Associates, LLC (OSA). The Institute previously purchased the Old Sanctuary land and building from OSA. The Institute has a nonbinding agreement with OSA to continue to manage the property. The Institute pays OSA 7% of the total revenue from rentals as a management fee.

The President owns Den-Wil Inc., which rents office space from the Institute. Den-Wil Inc. paid rent of $30,000 annually to the Institute for the years ended June 30, 2020 and 2019. The President is also one of the owners of Innovation Village, Inc., which provided housing to one of the employees. The Institute withheld from payroll and paid rent for this employee in the amount of $12,900 for the years ended June 30, 2020 and 2019.

An employee of the Institute provided a loan to the Institute during the year ended June 30, 2019 to assist with cash flow issues. The maximum amount loaned to the Institute throughout the year from the employee was $40,000. The employee donated the loan balance, which was recorded as an in-kind donation to repay the loan prior to June 30, 2019.

A significant portion of the contributions to the agency are received from staff members and Board members.