

**THE AYN RAND INSTITUTE:  
THE CENTER FOR THE ADVANCEMENT OF OBJECTIVISM**

**Financial Statements**

**Year ended September 30, 2022**

**(With Independent Auditor's Report Thereon)**

**THE AYN RAND INSTITUTE:  
THE CENTER FOR THE ADVANCEMENT OF OBJECTIVISM**

**Financial Statements**

**Year ended September 30, 2022**

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## **Independent Auditor's Report**

To the Board of Directors of  
The Ayn Rand Institute: The Center for the Advancement of Objectivism  
Santa Ana, California

### **Report on the Audit of the Financial Statements**

#### ***Modified Opinion***

We have audited the financial statements of the Ayn Rand Institute: The Center for the Advancement of Objectivism ("Institute"), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects on the financial statements of not consolidating the Foundation and not performing a physical inventory observation as described in the Basis for Modified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of September 30, 2022 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

#### ***Basis for Modified Opinion***

The Institute has excluded the financial statements of Anthem Foundation for Objectivist Scholarship ("Foundation") in the accompanying financial statements. The Foundation's financial statements are required to be consolidated in accordance with accounting principles generally accepted in the United States of America. If the financial statements were consolidated, assets would be increased by \$523,976, liabilities would be increased by \$5,915, and net assets by \$518,061 as of September 30, 2022, and the change in net assets would be increased by \$120,686 for the year then ended.

Additionally, the Institute has \$443,805 recorded as Inventories in the accompanying Statement of Financial Position. We were unable to perform a physical inventory observation to verify the existence and valuation of the inventory.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

During the year ended September 30, 2022, the Institute implemented Financial Accounting Standards Board (FASB) ASC 842: Leases. Our opinion is not modified with respect to this matter.

## **2021 Financial Statements Restated**

As discussed in Note 14 to the financial statements, the 2021 financial statements have been restated to correct a misstatement. 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's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS, 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'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'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.

**Report on Summarized Comparative Information**

We have previously audited the Institute's September 30, 2021 financial statements, and we expressed an modified audit opinion on those audited financial statements in our report dated February 10, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Davis Fan LLP*

Irvine, California  
June 2, 2023

**THE AYN RAND INSTITUTE:  
THE CENTER FOR THE ADVANCEMENT OF OBJECTIVISM**

**Statement of Financial Position**

**September 30, 2022  
(with comparative totals for September 30, 2021)**

	<u>Assets</u>	<u>2022</u>	<u>2021</u>
<b>Current Assets:</b>			
Cash and cash equivalents	\$	6,825,873	1,213,861
Investments (Note 5)		14,411,096	12,091,988
Contributions receivable		-	38,630
Other receivables, net		498,177	387,883
Inventories, net		443,805	201,925
Prepaid expenses		258,636	132,346
Current portion of investments - split interest agreements (Notes 5 and 8)		<u>107,343</u>	<u>130,649</u>
Total Current Assets		<u>22,544,930</u>	<u>14,197,282</u>
<b>Other Assets:</b>			
Investments - split interest agreements, net of current portion (Notes 5 and 8)		2,209,500	2,696,313
Beneficial interests in insurance policy		52,878	52,875
Property and equipment, net (Note 6)		180,580	88,384
Operating lease right of use asset (Note 7)		1,722,094	-
Deposits and other assets		149,435	149,435
457(b) plan participant accounts (Note 11)		<u>1,096,703</u>	<u>1,433,174</u>
Total Other Assets		<u>5,411,190</u>	<u>4,420,181</u>
Total Assets	\$	<u>27,956,120</u>	<u>18,617,463</u>
<b><u>Liabilities and Net Assets</u></b>			
<b>Current Liabilities:</b>			
Accounts payable	\$	485,701	190,751
Accrued compensation and related expenses		967,957	608,585
Accrued liabilities		636,206	440,989
Due to affiliate		4,952	-
Current portion of liabilities under split-interest agreements (Note 8)		107,343	130,649
Operating lease liability (Note 7)		<u>643,286</u>	<u>-</u>
Total Current Liabilities		<u>2,845,445</u>	<u>1,370,974</u>
<b>Other Liabilities:</b>			
Deposit payable		16,074	-
Liabilities under split-interest agreements, net of current portion (Note 8)		1,479,617	1,834,457
457(b) plan participant accounts (Note 11)		1,096,703	1,433,174
Operating lease liability (Note 7)		<u>960,903</u>	<u>-</u>
Total Other Liabilities		<u>3,553,297</u>	<u>3,267,631</u>
Total Liabilities		<u>6,398,742</u>	<u>4,638,605</u>
<b>Net Assets:</b>			
Without donor restrictions		21,234,664	13,546,565
With donor restrictions (Note 10)		<u>322,714</u>	<u>432,293</u>
Total Net Assets		<u>21,557,378</u>	<u>13,978,858</u>
Total Liabilities and Net Assets	\$	<u>27,956,120</u>	<u>18,617,463</u>

The accompanying notes are an integrated part of these financial statements.

**THE AYN RAND INSTITUTE:  
THE CENTER FOR THE ADVANCEMENT OF OBJECTIVISM**

**Statement of Activities**

**Year ended September 30, 2022  
(with comparative totals for year ended September 30, 2021)**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>	
			2022	2021
Revenues and Support:				
Contributions	\$ 16,448,945	834,994	17,283,939	15,939,750
Other income	1,251,139	-	1,251,139	1,464,924
Investment income (loss)	(1,123,754)	-	(1,123,754)	291,978
Change in value of split-interest agreements	357,584	-	357,584	189,693
Net assets released from restrictions (Note 10)	<u>944,573</u>	<u>(944,573)</u>	<u>-</u>	<u>-</u>
Total Revenues and Support	<u>17,878,487</u>	<u>(109,579)</u>	<u>17,768,908</u>	<u>17,886,345</u>
Expenses:				
Program Services:				
Educational programs	4,027,224	-	4,027,224	3,555,155
Outreach programs	3,922,663	-	3,922,663	2,522,623
Campus support	<u>622,459</u>	<u>-</u>	<u>622,459</u>	<u>300,172</u>
Total Program Services	8,572,346	-	8,572,346	6,377,950
Supporting Services:				
Management and general	1,043,177	-	1,043,177	663,837
Fundraising	<u>683,172</u>	<u>-</u>	<u>683,172</u>	<u>982,034</u>
Total Support Services	<u>1,726,349</u>	<u>-</u>	<u>1,726,349</u>	<u>1,645,871</u>
Total Expenses	<u>10,298,695</u>	<u>-</u>	<u>10,298,695</u>	<u>8,023,821</u>
Change in Net Assets	7,579,792	(109,579)	7,470,213	9,862,524
Net Assets, Beginning of Year, as restated (Note 14)	<u>13,654,872</u>	<u>432,293</u>	<u>14,087,165</u>	<u>4,116,334</u>
Net Assets, End of Year	<u>\$ 21,234,664</u>	<u>322,714</u>	<u>21,557,378</u>	<u>13,978,858</u>

The accompanying notes are an integrated part of these financial statements.

**THE AYN RAND INSTITUTE:  
THE CENTER FOR THE ADVANCEMENT OF OBJECTIVISM**

**Statement of Functional Expenses**

**Year ended September 30, 2022  
(with comparative totals for year ended September 30, 2021)**

	Program Services				Support Services		Totals	
	Educational Programs	Outreach Programs	Other	Total	Management and General	Fundraising	2022	2021
Accounting	\$ 46,000	28,308	9,402	83,710	18,629	10,859	113,198	64,205
Advertising and promotion	36,623	10,320	-	46,943	-	-	46,943	74,241
Amortization of right of use asset	177,919	93,200	31,557	302,676	160,609	30,683	493,968	-
Books	525,707	10,690	-	536,397	134	195	536,726	515,897
Depreciation	14,427	8,879	2,950	26,256	27,085	2,713	56,054	39,780
Employee benefits and taxes	348,982	214,764	71,335	635,081	34,520	65,625	735,226	351,742
Equipment	6,092	-	-	6,092	4,028	-	10,120	25,732
Insurance	13,250	8,217	2,729	24,196	11,845	2,511	38,552	43,395
Interest	15,012	7,864	2,663	25,539	13,550	2,589	41,678	-
Legal	3,500	1,304	-	4,804	142,484	88,810	236,098	88,090
Meetings, training and conferences	18,557	670,906	327	689,790	35	260	690,085	176,660
Online services	75,089	91,529	1,164	167,782	59,387	10,192	237,361	188,095
Other	1,103	6,568	120	7,791	-	-	7,791	1,802
Outreach	9,942	13,095	31,007	54,044	17,012	17,423	88,479	42,160
Outside services	442,646	702,874	35,613	1,181,133	149,334	4,424	1,334,891	1,601,056
Postage and freight	99,639	47,078	6,646	153,363	6,597	11,883	171,843	156,731
Printing and mailing	4,051	72,361	-	76,412	933	4,543	81,888	46,680
Prizes, grants, and scholarships	125,228	459,854	-	585,082	-	-	585,082	122,133
Rent	-	-	-	-	-	-	-	748,626
Repairs and maintenance	-	-	4,139	4,139	11,689	-	15,828	9,177
Royalties	8,915	4,099	-	13,014	-	-	13,014	10,309
Salaries	2,023,887	1,245,503	413,694	3,683,084	324,093	380,583	4,387,760	3,440,914
Supplies	3,821	1,133	6,768	11,722	9,278	1,568	22,568	61,136
Taxes, licenses, and fees	3,636	-	-	3,636	5,260	39,034	47,930	45,747
Travel	23,198	224,117	2,345	249,660	46,675	9,277	305,612	169,513
	<u>\$ 4,027,224</u>	<u>3,922,663</u>	<u>622,459</u>	<u>8,572,346</u>	<u>1,043,177</u>	<u>683,172</u>	<u>10,298,695</u>	<u>8,023,821</u>

The accompanying notes are an integrated part of these financial statements.



**THE AYN RAND INSTITUTE:  
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**Statement of Cash Flows**

**Year ended September 30, 2022  
(with comparative totals for year ended September 30, 2021)**

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 7,470,213	9,862,524
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Donated investments	(2,953,343)	-
Depreciation	56,054	39,780
Amortization of right-to-use asset - operating lease	493,968	-
Forgiveness of PPP loan	-	(713,100)
Net increase in split-interest investments	(378,146)	(476,503)
Unrealized and realized loss (gain) on investments, net	1,074,839	(9,229)
Changes in operating assets and liabilities:		
Contributions receivable	38,630	94,690
Other receivables	(110,294)	(385,675)
Inventories	(133,573)	(74,694)
Prepaid expenses	(126,290)	(57,963)
Deposits and other assets	-	8,289
Due to affiliate	4,952	-
Deposit payable	16,074	-
Accounts payable, accrued compensation and related expenses, and accrued liabilities	849,539	(229,175)
Operating lease liability	(611,873)	-
Net cash and cash equivalents provided by (used in) operating activities	5,690,750	8,058,944
Cash flows from investing activities:		
Proceeds from sale of investments	1,628,307	36,782
Purchase of investments	(1,558,795)	(12,032,582)
Purchase of property and equipment	(148,250)	(10,255)
Net cash and cash equivalents provided by (used in) investing activities	(78,738)	(12,006,055)
Net change in cash and cash equivalents	5,612,012	(3,947,111)
Cash and cash equivalents, beginning of year	1,213,861	5,160,972
Cash and cash equivalent, end of year	\$ 6,825,873	1,213,861
Noncash investing and financing activities:		
Forgiveness of PPP loan	\$ -	713,100
Donated investments	\$ 2,953,343	-

The accompanying notes are an integrated part of these financial statements.

**THE AYN RAND INSTITUTE:  
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**Notes to Financial Statements**

**Year ended September 30, 2022**

**Note 1: Nature of Operations**

The Ayn Rand Institute: The Center for the Advancement of Objectivism ("ARI" or the "Institute") is a Pennsylvania nonprofit corporation organized and operated exclusively for educational, literacy, and other charitable purposes. ARI advances the study of the philosophy of Objectivism and the education of the general public with respect to Objectivism.

The following are descriptions of the programs ARI offers to promote Objectivism:

**Educational Programs**

*High School Programs:* The mission of High School Programs is to increase the awareness and use of Ayn Rand's novels in high school classrooms and among high school students. ARI's annual essay contests on Ayn Rand's novels receive tens of thousands of entries each year. ARI provides teachers with hundreds of thousands of free classroom book sets of Ayn Rand's novels and resources to help teachers present Ayn Rand's works and ideas in the classroom. ARI identifies and cultivates student organizations that are prime audiences for Ayn Rand's ideas; e.g., high school debate organizations.

*College Programs:* ARI's outreach programs for college professors and students aim at raising awareness and increasing knowledge of Ayn Rand's ideas and their impact on various academic fields. These programs include hosting conferences and workshops, exhibiting at conferences, distributing copies of Ayn Rand's books and essays, writing newsletters, running an internship program, supporting student clubs, facilitating speaker events on college campuses, and providing intellectual support for Ayn Rand researchers.

*Ayn Rand Institute Campus:* The Ayn Rand Institute Campus is an online education website that offers courses from beginner to advanced levels on Ayn Rand's fictional works and on her philosophy and its application, as well as supplementary educational content and discussion boards. The courses are largely free and open to anyone interested in Ayn Rand's ideas; however, the target audiences include students, educators, and other intellectuals.

*Advanced Training:* In order to train the next generation of Objectivist intellectuals, ARI runs the Objectivist Academic Center ("OAC"). The OAC offers the only systematic program of instruction in the essentials of Objectivism. The three-year program focuses on students exploring the possibility of an intellectual career; the Junior Fellow Program, which is an Advanced Education Program offers instruction to committed students, as well as career guidance, mentoring, and financial assistance.

**Outreach Programs**

*Publishing:* The Publishing department develops, supports, and proposes marketing strategies and advertising to the publishers of Ayn Rand's books. The department also supports the publication of books based on ARI programs or those written by staff writers or on material from the Ayn Rand Archives, primarily through outside publishers.

**THE AYN RAND INSTITUTE:  
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**Notes to Financial Statements**

**Year ended September 30, 2022**

**Note 1: Nature of Operations (Continued)**

*Marketing and Communications:* ARI promotes Ayn Rand’s philosophical case for a culture of reason, self-interest, and laissez-faire capitalism to public policy and business communities, media, the general public, and various student audiences. ARI markets and disseminates op-eds, articles, blog posts, videos, and books to millions of readers yearly. It creates and distributes a weekly email newsletter, Impact Weekly, and a quarterly print publication, Impact Quarterly, as well as email and print newsletters and updates to its various subscriber lists. ARI experts appear on significant TV, radio, and online programs and present talks around the world, many of which are recorded and available for viewing online. ARI’s Yaron Brook has a syndicated radio show and a Blog Talk Radio show. ARI encourages and supports robust social media communities on Facebook, Twitter, LinkedIn, and other platforms.

*International Outreach:* ARI sends speakers to address student and general audiences outside the United States and encourages and assists various Ayn Rand programs to be established abroad. While a major part of this work takes place in Europe under a program called Ayn Rand Institute Europe, ARI’s international programs are also active in Latin America, Asia, and Israel.

*Digital Initiative and Website:* ARI’s digital initiative aims to create a digital experience that introduces audiences to Ayn Rand through her writings and philosophy and acquaints them with the application of her ideas. The three main websites are AynRand.org, ari.AynRand.org, and campus.AynRand.org. In addition, the digital experience is supported by a number of social media properties.

*Conferences:* Each summer, ARI hosts a multiday summer conference open to the public for Objectivist scholars to present talks and panels on a variety of topics related to Objectivism.

**Other**

*Ayn Rand Archives:* The Ayn Rand Archives (the “Archives”) collects and preserves documents by and about Ayn Rand, including individuals and organizations influenced by her philosophy. The department functions as a full-service repository that hosts researchers, answers reference questions, and assists journalists. In addition, the Archives produces projects to advance public awareness of Ayn Rand’s development and cultural impact. The Archives is the world’s definitive Ayn Rand- themed collection.

*Online Bookstore:* The Ayn Rand Institute eStore sells downloadable audio content related to Ayn Rand and Objectivism.

**THE AYN RAND INSTITUTE:  
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**Notes to Financial Statements**

**Year ended September 30, 2022**

**Note 2: Summary of Significant Accounting Policies**

**Basis of Presentation**

The Institute's resources are classified for accounting and reporting purposes into two net asset categories according to the existence or absence of donor-imposed restrictions. Generally, the donors of these assets permit the Institute to use all or part of the income earned on related investments for general or specific purposes. Accordingly, the net assets of the Institute are classified and reported as follows:

- Net Assets without Donor Restrictions – Net assets of the Institute that are not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).
- Net Assets with Donor Restrictions – Net assets of the Institute that are subject to donor-imposed restrictions (donors include other types of contributors, including markers of certain grants).

**Use of Estimates**

The preparation of the financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the collectability and timing of collection of contributions receivable, the realizability of inventories and property and equipment, the value of beneficial interests in insurance policy and trusts, the liability to beneficiaries under split-interest agreements, and the allocations of expenses, including salaries, to programs. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Institute considers all highly liquid investments purchased with an initial maturity of three months or less to be cash and cash equivalents.

**Investments**

Investments consist of short-term investments, mutual funds, and exchange-traded funds, bonds, and equity securities that are carried at fair value. These investments are managed by third-party professionals or held by third-party trustees. Net appreciation (depreciation) in the fair value of investments, which consists of the realized and unrealized gains and losses on those investments, is shown in the statement of activities.

**THE AYN RAND INSTITUTE:  
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**Notes to Financial Statements**

**Year ended September 30, 2022**

**Note 2: Summary of Significant Accounting Policies (Continued)**

The accounting guidance describes three levels of inputs in priority that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (such as interest rates and yield curves, credit risks, and default rates) or other inputs that are principally derived from or corroborated by observable market data by correlation or by other means

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

**Leases**

The Institute determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Institute does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

**Property and Equipment**

Property and equipment are recorded at cost. Donated assets are recorded at their fair market value when received. The cost of purchased assets or fair market value of donated assets is depreciated using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years. Leasehold improvements are amortized over the lesser of their estimated useful lives or the related lease term. Maintenance and repairs are charged to expense as incurred. Significant renewals and betterments are capitalized.

**Revenue and Revenue Recognition**

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Certain contributions are in the form of split-interest agreements (see Note 8 for more details).

Revenue is recognized for tuition income, conference revenue and book sales when the performance obligations of transferring the products and providing the services are met.

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**Notes to Financial Statements**

**Year ended September 30, 2022**

**Note 2: Summary of Significant Accounting Policies (Continued)**

Contributed securities and other noncash donations are recorded as donations at their estimated fair values at the date of donation.

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

**In-kind Contributions**

In-kind contributions are recognized in the financial statements if the services or goods received enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, or would typically need to be purchased if not provided by donation.

The Institute may also receive a significant amount of contributed time from volunteers that does not meet the recognition criteria described. Accordingly, the value of such contributed time is not reflected in the accompanying financial statements.

**Split Interest Agreements**

Split-Interest Agreements include beneficial interest in insurance policy, charitable remainder unitrusts, charitable gift annuities, and pooled income funds.

In 2006, the Institute received a beneficial interest in a \$1,000,000 insurance policy. The asset is recorded at cash surrender value of \$52,878 at September 30, 2022. The change in fair value of the insurance policy is recorded as *change in value of split-interest agreements* in the accompanying statements of activities for the year ended September 30, 2022.

The Institute is the trustee of a revocable charitable remainder unitrust established by two donors. The donors receive quarterly distributions during their lives equal to a specified percentage of the fair market value of the trust's assets determined annually. If the trust is not revoked before the death of both donors, the remaining assets of the trust will be distributed to the Institute. As the trust is revocable by the donors, the Institute recognizes a liability equal to the trust's assets that totaled \$60,857 at September 30, 2022 and these amounts are included in *liabilities under split interest agreements* in the accompanying statements of financial position. The Institute offsets all investment gains/losses, expenses, and quarterly payments to donors against this liability.

Charitable gift annuities and pooled income funds are presented in the Statement of Financial Position as *investments – split interest agreements*. All investment gains/losses are recorded on the Statement of Activities as *investment income (loss)* and changes in fair value are recorded in *change in value of split-interest agreements*.

**THE AYN RAND INSTITUTE:  
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**Notes to Financial Statements**

**Year ended September 30, 2022**

**Note 2: Summary of Significant Accounting Policies (Continued)**

**Contributions Receivable**

The Institute uses the allowance method to determine uncollectible contributions receivable. The allowance is based on historical experience, current economic conditions, and management's analysis of outstanding contributions receivable. As of September 30, 2022, there was no allowance recorded against receivables.

**Inventories**

Inventories consist of purchased merchandise and materials for resale or distribution and are stated at the lower of cost or net realizable value. Cost is determined on the average-cost method, which approximates the first-in, first-out method. Net realizable value is determined by comparison with recent purchases less disposition costs.

**Income Taxes**

The Institute is a public charity that has obtained an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and under similar code sections for each state. Accordingly, no provision has been made for federal or state income taxes. The Institute is subject, however, to federal and California income taxes on unrelated business taxable income as stipulated in Internal Revenue Code Section 511 and Regulation Section 1.511.

The Institute annually evaluates tax positions as part of the preparation of its exempt tax return. This process includes an analysis of whether tax positions the Institute takes with regard to a particular item of income or deduction would meet the definition of an uncertain tax position under current accounting guidance. The Institute believes that its tax positions are appropriate based on current facts and circumstances. The Institute's policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. At September 30, 2022, the Institute did not have any unrecognized tax benefits. The Institute is no longer subject to US federal, state, or local income tax examinations by tax authorities for fiscal years ended before 2018.

**Advertising Costs**

Advertising costs are expensed as incurred and totaled \$46,943 during the year ended September 30, 2022.

**Functional Allocation of Expenses**

The costs of providing various program services and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based on estimated usage. Usage is calculated using an appropriate methodology such as percentage of staff time. The Institute incurs joint costs for mailings, events, and travel, which are allocated between fundraising and program costs. For the year ended September 30, 2022, there were no joint costs.

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**Notes to Financial Statements**

**Year ended September 30, 2022**

**Note 2: Summary of Significant Accounting Policies (Continued)**

**Comparative Financial Information**

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended September 30, 2021, from which the summarized information was derived.

**Note 3: Liquidity and Availability**

The Institute's financial assets available for general expenditure (that is, without donor or other restrictions limiting their use), within one year of the statement of financial position date, are as follows as of September 30, 2022:

Financial assets:		
Cash and equivalents	\$	6,825,873
Investments		14,411,096
Other receivables		<u>498,177</u>
Total financial assets		21,735,146
Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets		<u>322,714</u>
Total financial assets available to meet general expenditures within one year	\$	<u>21,412,432</u>

**Note 4: Concentrations, Risks, and Uncertainties**

The Institute maintains its cash balances at various financial institutions. The total cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 per institution. Throughout the course of the year, the Institute regularly maintains cash balances in excess of FDIC limits. The Institute has investments in securities at various financial institutions that are members of the Securities Investor Protection Corporation, which provides limited protection for cash and securities for up to a maximum of \$500,000, including a maximum of \$250,000 for cash balances. At year ended September 30, 2022, cash balances exceeds the FDIC limit by \$6,483,421.

**Note 5: Assets and Liabilities Measured at Fair Value**

The following is a description of the valuation methodologies used for investments and liabilities under split-interest agreements, including the general classification of such instruments pursuant to the valuation hierarchy.



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**Note 5: Assets and Liabilities Measured at Fair Value (Continued)**

**Mutual Funds**

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Institute are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Institute are deemed to be actively traded. These investments have been classified within Level 1 of the valuation hierarchy.

**Delaware Statutory Trust**

Delaware Statutory Trust ("DST") investments are valued based on their net asset value ("NAV"). The NAV of the DST investment is calculated based on the value of the underlying net assets held by the DST divided by the number of outstanding shares in the DST. The NAV of the DST may fluctuate due to changes in the value of the underlying net assets. In addition, the actual amount realized may be more or less than NAV, as actual proceeds may be impacted by the timing and manner or any sale or disposition. The Institute believes the NAV of the DST investments is a reasonable estimate of the amount that could be realized in a current sale or orderly disposition of the investments. However, the NAV of the DST investments are subject to uncertainties and may not accurately reflect the actual value that could be obtained upon sale or disposition. At September 30, 2022, ARI was unable to determine the NAV for a contribution receivable of a DST. As such, the contribution receivable has not been recorded in the accompanying financial statements.

**Liabilities under Split-Interest Agreements**

Liabilities under split-interest agreements are valued by using pricing models (e.g., discounted cash flows). These liabilities have been included in Level 2 of the valuation hierarchy. A detailed listing of activity and the assumptions used in calculating fair value for the year ended September 30, 2022, is included in Note 8.

The following table presents the fair value hierarchy for investments measured at fair value on a recurring basis, except those measured at cost or by using NAV as a practical expedient as identified in the following, at September 30, 2022:

	Quoted Priced in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV	Total
Money market funds	\$ 237	-	-	-	237
Mutual funds:					
Bond funds	11,451,671	-	-	-	11,451,671
Equity funds	4,280	-	-	-	4,280
Alternative investments	-	-	2,933	-	2,933
Delaware Statutory Trust (DST)	-	-	-	2,951,975	2,951,975
Total investments	<u>\$ 11,456,188</u>	<u>-</u>	<u>2,933</u>	<u>2,951,975</u>	<u>14,411,096</u>

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**Year ended September 30, 2022**

**Note 5: Assets and Liabilities Measured at Fair Value (Continued)**

The following table presents the fair value hierarchy for investments – split interest agreements measured at fair value on a recurring basis, except those measured at cost or by using NAV as a practical expedient as identified in the following, at September 30, 2022:

	Quoted Priced in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	\$ 78,535	-	-	78,535
Mutual funds:				
Bond funds	955,951	-	-	955,951
Equity funds	1,197,136	-	-	1,197,136
Alternative investments	-	-	85,221	85,221
Total split interest investments	<u>\$ 2,231,622</u>	<u>-</u>	<u>85,221</u>	<u>2,316,843</u>

The following table presents the fair value hierarchy for those liabilities measured at fair value on a recurring basis as of September 30, 2022:

	Quoted Priced in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Liabilities under Split-Interest Agreements	\$ -	(1,586,960)	-	<u>(1,586,960)</u>

**Note 6: Property and Equipment**

Property and equipment consist of the following at September 30, 2022:

Computers	\$ 85,784
Office equipment	26,836
Furniture	115,052
Leasehold improvements	<u>180,968</u>
	408,640
Less: Accumulated depreciation	<u>(228,060)</u>
Property and Equipment, net	<u>\$ 180,580</u>

Depreciation expense for the year ended September 30, 2022 was \$56,054.

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**Note 7: Leases**

The Institute leases office space under long-term non-cancelable operating lease agreements expiring on November 30, 2024 and April 30, 2026. The Institute includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

The discount rate is based on the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable.

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of September 30, 2022:

<u>December 31,</u>	
2023	\$ 674,506
2024	486,434
2025	318,981
2026	<u>181,797</u>
Total lease payments	1,661,718
Less interest	<u>(57,529)</u>
Present value of lease liabilities	<u>\$ 1,604,189</u>

The right-of-use asset, net of \$493,968 of amortization, is \$1,722,094 as of September 30, 2022.

**Note 8: Split-Interest Agreements**

Split-Interest Agreement investments are reported as following in the accompanying Statement of Net Position:

Charitable Gift Annuities	\$ 2,048,682
Pooled Income Funds	207,304
Charitable Remainder Trust	<u>60,857</u>
Total investments in split-interest agreements	<u>\$ 2,316,843</u>

**Charitable Gift Annuities**

Under charitable gift annuity contracts, a donor gives the Institute a lump-sum donation at the beginning of the contract and the Institute makes predetermined payments to the donor and/or the designated beneficiary for his or her lifetime. If the donor does not specify when the payments are to begin, the Institute records the maximum liability amount among the range of annuity options available to the donor. At the end of the annuitant's life, the Institute keeps any remaining assets not used in making the required payments and recognizes revenue for the termination of the remaining liability, if any. These contracts are guaranteed by all the Institute's assets. In the contract, the donor may specify how the Institute must

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**Note 8: Split-Interest Agreements (Continued)**

use the remaining assets, if any, at the termination of the contract. On an annual basis, the Institute adjusts the value of the assets to fair value and revalues the liabilities to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a 1% discount rate for the year ended September 30, 2022.

To estimate the remaining lives of donors, the Institute utilized the 2012 Individual Annuity Reserving Report and Table for the year ended September 30, 2022. The Institute issues gift annuities in various states, certain of which have criteria and registration requirements.

Among these states, the Institute is registered in California and Florida (the "States"), which impose certain asset reserve requirements on issuers of gift annuities. The Institute meets the reserve requirements for the States' annuitants by placing the required funds in trusts with a third-party trustee, which are to be held and invested in accordance with the applicable restrictions until the annuitant's death.

As of September 30, 2022, the Institute was in compliance with the States' requirements for minimum reserves as follows:

	Regulating State	
	California	Florida
Assets on reserve	\$ 107,343	97,965
Required reserve amount	(100,723)	(82,263)
Excess	\$ 6,620	15,702

Charitable gift annuity activities for the year ended September 30, 2022 are as follows:

	Investments in Charitable Gift Annuities	Liabilities to Beneficiaries under Charitable Gift Annuities	Net Activity
Balance, September 30, 2021	\$ 2,580,032	(1,770,964)	809,068
Changes in value	(531,350)	354,966	(176,384)
Balance, September 30, 2022	\$ 2,048,682	(1,415,998)	632,684

**Pooled Income Funds**

Pooled income funds are arrangements whereby many donors' life income gifts are invested and pooled together, and each income beneficiary is assigned a relative number of units in the pool. Contribution revenue is recorded at the fair value of the assets received, discounted at an annual rate of 4.28% for the year ended September 30, 2022.

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**Year ended September 30, 2022**

**Note 8: Split-Interest Agreements (Continued)**

Until a donor's death, the donor is paid the actual income earned on the donor's units in the pooled income fund. The estimated discounted cash outflows of the pooled income funds are recorded as a liability under split-interest agreements and amortized over the donor's expected life based on applicable mortality tables. Upon a donor's death, the value of the donor's units reverts to the Institute.

Initial net values of the contributions from pooled income funds are recorded as contributions in the accompanying statement of activities under net assets with donor restrictions. Increases/decreases resulting from changes in actuarial assumptions and accretions of the discount are recorded as net increase (decrease) in split-interest agreements in the accompanying statement of activities under net assets with donor restrictions.

Pooled income fund activities for the year ended September 30, 2022 are as follows:

	Investments in Pooled Income Funds	Deferred Revenue under Pooled Income Funds	Net Activity
Balance, September 30, 2021	\$ 246,929	(112,719)	134,210
Changes in value	<u>(39,625)</u>	<u>2,614</u>	<u>(37,011)</u>
Balance, September 30, 2022	<u>\$ 207,304</u>	<u>(110,105)</u>	<u>97,199</u>

**Note 9: Related-Party Transactions**

**Ayn Rand Institute of Canada**

The Ayn Rand Institute of Canada is an affiliated organization whose Board of Directors is made up of 50% of the Institute's Board Members. Additionally, the Institute handles all management and operational functions of The Ayn Rand Institute of Canada through an affiliation agreement. The financial statements of Ayn Rand Institute of Canada are not consolidated in the accompanying financial statements because consolidation is permitted, but not required, when control is not met through a majority voting interest. During the fiscal year ended September 30, 2022, the Institute billed \$17,498 (net of contributions) for book sales to the Ayn Rand Institute of Canada and has an outstanding receivable of \$115,197 at September 30, 2022, offset by an allowance for doubtful accounts in the amount of \$97,700.

**Anthem Foundation for Objectivist Scholarship**

The Anthem Foundation for Objectivist Scholarship is an affiliated organization whose Board of Directors has a majority voting interest. The Institute handles all management and operational functions of the Anthem Foundation. The accounting standards require consolidation of the financial statements; however, the accompanying financial statements

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**Notes to Financial Statements**

**Year ended September 30, 2022**

**Note 9: Related-Party Transactions**

are not consolidated. The Institute provided Anthem Foundation shared services and facilities at no charge during the fiscal year ended September 30, 2022.

**Royalties and Other Services**

The Institute has several transactions with affiliated entities, including the Objectivist Forum, RYB Enterprises, and others. These transactions involve payments for royalties, teaching fees, and other services. For the year ended September 30, 2022, royalty fees totaled approximately \$360 and teaching fees and other services totaled approximately \$145,397, which are recorded in outside services in the accompanying statement of functional expenses.

**Contributions**

Various board members make contributions to the Institute through donations, fundraising events, and volunteer time. General contributions recorded from board members (or their affiliated foundations) during the year ended September 30, 2022 totaled approximately \$147,824, which is recorded in contributions in the accompanying statement of activities.

**Note 10: Net Assets with Donor Restrictions**

Net assets with donor restrictions consist of the following at September 30, 2022:

Purpose restrictions, available for spending:	
Projects	\$ 322,714
Total net assets with donor restrictions	<u>\$ 322,714</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specific by the donors as follows for the year ended September 30, 2022:

Satisfaction of purpose restrictions	
Operations and general use	\$ 944,573

**Note 11: Retirement Plans**

The Institute's employees participate in a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all employees of the Institute. The Institute will match 50% of employee's elective deferrals to an annual maximum of \$3,000 per employee. The employees may also make contributions to the plan for up to the maximum amount allowed by the Internal Revenue Code. The Institute contributed \$91,463 to the plan during the year ended September 30, 2022. The assets of this plan are the legal assets of the participants in the plan, and therefore, there are no assets or liabilities reported in the statement of financial position for this plan.

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**Note 11: Retirement Plans (Continued)**

Several Institute employees participate in a tax-deferred plan qualified under Section 457(b) of the Internal Revenue Code. The plan is available to a select group of management employees and is funded solely by employee contributions. The Institute may make discretionary contributions to the plan as determined each year by the Institute. For the year ended September 30, 2022, there were no Institute contributions to the plan. The assets of this plan are the legal assets of the Institute until they are distributed to the participants; therefore, plan assets and a corresponding liability of \$1,096,703 at September 30, 2022 is reported in the statements of financial position.

**Note 12: Noncapitalized Assets**

The Institute has collections that are housed in the Ayn Rand Archives. These collections include the Ayn Rand Papers, as well as other artifacts of historical significance and works of art. In accordance with US GAAP, these items are not capitalized on the financial statements.

**Note 13: Commitments and Contingencies**

**Conference Agreements**

The Institute has entered into binding agreements with unrelated third parties whereby it is committed to certain fees related to conferences the Institute will hold through July 8, 2023. Minimum costs associated with these commitments as of September 30, 2022, totaled \$517,560.

**Litigation**

The Institute experiences routine litigation in the normal course of its business. Management does not believe that any pending or threatened litigation will have a material adverse effect on its financial statements.

**Note 14: Prior Period Adjustment**

During the year ended September 30, 2022, the Institute made the following adjustments to beginning net assets:

Beginning net assets	\$ 13,978,858
Adjustment of inventory	<u>108,307</u>
Beginning net assets, as restated	<u>\$ 14,087,165</u>

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**Note 15: Subsequent Events**

The Institute evaluated subsequent events through June 2, 2023, the date these financial statements were issued. In April 2023, the Institute entered into an agreement to loan \$5M interest free to a related organization. The loan is due on June 30, 2024 unless both parties agree to extend the date.