The Institute of World Politics

Financial Report
July 31, 2025

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RSM US LLP

Independent Auditor's Report

Executive Committee
The Institute of World Politics

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Institute of World Politics (the Institute), which comprise the statement of financial position as of July 31, 2025, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as of July 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. 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

As discussed in Note 16 to the financial statements, the 2024 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of the Institute as of and for the year ended July 31, 2024, before they were restated for the matter discussed in Note 16 to the financial statements, were audited by other auditors, whose report dated January 8, 2026, expressed an unmodified opinion on those financial statements.

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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 within one year after the date that the financial statements are issued or 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 GAAS and *Government 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 GAAS and *Government 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'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2026 on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Institute's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.

RSM US LLP

Washington, D.C.
August 17, 2026

The Institute of World Politics

Statements of Financial Position
July 31, 2025 and 2024

	2025	2024 (As Restated)
Assets		
Cash and cash equivalents	**$ 2,842,194**	$ 3,336,637
Tuition receivables, net of allowances for doubtful accounts and discounts ($405,052—2025 and $394,390—2024)	**383,367**	327,576
Contributions receivable, net	**2,235,299**	1,229,253
Prepaid expenses and other assets	**198,026**	343,267
Interest rate swap	**602,109**	579,881
Investments	**4,471,939**	5,418,430
Investments held for split-interest agreement	**383,399**	379,615
Property and equipment, net	**9,799,392**	9,624,037
Total assets	**$ 20,915,725**	$ 21,238,696
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 354,716**	$ 423,604
Deferred tuition and revenue	**253,494**	7,227
Long-term debt, net of issuance costs	**6,550,510**	6,711,385
Annuity obligations	**18,741**	44,705
Total liabilities	**7,177,461**	7,186,921
Net assets:		
Without donor restrictions:		
Undesignated	**7,824,664**	7,638,383
Board designated	**372,965**	452,358
Total without donor restrictions	**8,197,629**	8,090,741
With donor restrictions	**5,540,635**	5,961,034
Total net assets	**13,738,264**	14,051,775
Total liabilities and net assets	**$ 20,915,725**	$ 21,238,696

See notes to financial statements.

The Institute of World Politics

Statement of Activities
Year Ended July 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Student tuition and fees, net of discounts and scholarships of $883,781	$ 2,387,201	$ -	$ 2,387,201
Contributions, grants and bequests	4,644,677	2,893,239	7,537,916
Program income	512,442	-	512,442
Other revenue	44,952	-	44,952
Net assets released from restrictions	3,399,320	(3,399,320)	-
Total revenue and support	10,988,592	(506,081)	10,482,511
Expenses:			
Program	6,274,368	-	6,274,368
Management and general	3,758,530	-	3,758,530
Fundraising	1,047,486	-	1,047,486
Total expenses	11,080,384	-	11,080,384
Other income:			
Investment income, net	184,536	85,682	270,218
Change in value of interest rate swaps	14,144	-	14,144
Total other income	198,680	85,682	284,362
Change in net assets	106,888	(420,399)	(313,511)
Net assets:			
Beginning (as restated)	8,090,741	5,961,034	14,051,775
Ending	$ 8,197,629	$ 5,540,635	$ 13,738,264

See notes to financial statements.

The Institute of World Politics

Statement of Activities
Year Ended July 31, 2024

	(As Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Student tuition and fees, net of discounts and scholarships of $851,600	$ 2,100,651	$ -	$ 2,100,651
Contributions, grants and bequests	7,427,502	724,234	8,151,736
Program income	19,682	-	19,682
Other revenue	82,397	-	82,397
Net assets released from restrictions	3,116,094	(3,116,094)	-
Total revenue and support	12,746,326	(2,391,860)	10,354,466
Expenses:			
Program	5,967,780	-	5,967,780
Management and general	4,854,565	-	4,854,565
Fundraising	1,052,994	-	1,052,994
Total expenses	11,875,339	-	11,875,339
Other income:			
Investment income, net	625,354	69,004	694,358
Change in value of interest rate swaps	36,727	-	36,727
Total other income	662,081	69,004	731,085
Change in net assets	1,533,068	(2,322,856)	(789,788)
Net assets:			
Beginning	6,557,673	8,283,890	14,841,563
Ending	$ 8,090,741	$ 5,961,034	$ 14,051,775

See notes to financial statements.

The Institute of World Politics

Statement of Functional Expenses
Year Ended July 31, 2025

	Program	Management and General	Fundraising	Total
Salaries	$ 3,997,695	$ 1,555,828	$ 674,176	$ 6,227,699
Other employee benefits	386,322	118,623	69,966	574,911
Other professional fees	451,652	142,286	17,177	611,115
Payroll taxes	335,959	124,156	55,062	515,177
Depreciation and amortization	95,540	36,746	14,699	146,985
Accounting	-	35,326	-	35,326
Interest expense	132,559	60,003	20,213	212,775
Occupancy	115,222	161,600	17,570	294,392
Conferences, conventions and meetings	90,237	679,415	31,136	800,788
Office expenses	117,025	78,693	17,417	213,135
Advertising	-	384,666	188	384,854
Pension plan contributions	131,532	63,885	33,258	228,675
Publications and subscriptions	132,700	31,601	-	164,301
Miscellaneous	91,132	90,918	22,236	204,286
Insurance	57,118	25,987	8,678	91,783
Information technology	42,551	72,377	4,965	119,893
Legal	-	24,303	-	24,303
Travel	82,438	58,757	31,596	172,791
Printing	5,789	10,688	28,759	45,236
Dues	8,897	2,672	390	11,959
	$ 6,274,368	$ 3,758,530	$ 1,047,486	$ 11,080,384

See notes to financial statements.

The Institute of World Politics

Statement of Functional Expenses
Year Ended July 31, 2024

	Program	Management and General	Fundraising	Total
Salaries	$ 3,968,746	$ 1,496,419	$ 603,227	$ 6,068,392
Other employee benefits	308,962	56,154	61,047	426,163
Other professional fees	239,041	138,307	6,947	384,295
Payroll taxes	306,589	108,979	46,096	461,664
Depreciation and amortization	244,050	87,228	37,215	368,493
Accounting	-	93,805	-	93,805
Interest expense	-	307,600	-	307,600
Occupancy	120,545	251,324	21,348	393,217
Conferences, conventions and meetings	25,412	741,001	46,766	813,179
Office expenses	167,910	98,625	36,225	302,760
Advertising	-	760,153	8,202	768,355
Pension plan contributions	118,140	54,238	25,642	198,020
Publications and subscriptions	156,396	44,874	5,743	207,013
Miscellaneous	54,212	399,284	10,540	464,036
Insurance	48,264	36,198	7,063	91,525
Information technology	37,029	59,804	5,353	102,186
Legal	-	18,996	-	18,996
Travel	156,709	52,215	81,061	289,985
Printing	7,577	34,339	47,150	89,066
Dues	8,198	15,022	3,369	26,589
	$ 5,967,780	$ 4,854,565	$ 1,052,994	$ 11,875,339

See notes to financial statements.

The Institute of World Politics

Statements of Cash Flows
Years Ended July 31, 2025 and 2024

	2025	2024 (As Restated)
Cash flows from operating activities:		
Change in net assets	**$ (313,511)**	$ (789,788)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	**146,985**	368,493
Amortization of debt issuance costs	**18,302**	20,479
Realized and unrealized gain on investments, net	**(93,762)**	(587,887)
Change in value of interest rate swaps	**(22,228)**	44,811
Change in value of split-interest agreements	**(3,784)**	(12,401)
Provision for expected credit losses	**10,662**	365,390
(Increase) decrease in:		
Tuition receivables	**(66,453)**	(420,504)
Contributions receivable, net	**(1,006,046)**	3,160,176
Prepaid expenses and other assets	**145,241**	54,783
Increase (decrease) in:		
Accounts payable and accrued expenses	**(68,888)**	15,101
Deferred tuition and revenue	**246,267**	6,859
Refundable advances	**-**	(678,783)
Net cash (used in) provided by operating activities	**(1,007,215)**	1,546,729
Cash flows from investing activities:		
Proceeds from sales of investments	**1,319,145**	365,030
Purchases of investments	**(278,892)**	(2,225,986)
Purchases of property and equipment	**(322,340)**	(210,593)
Net cash provided by (used in) investing activities	**717,913**	(2,071,549)
Cash flows from financing activities:		
Payments on annuity obligations	**(25,964)**	(25,964)
Principal payments on note payable	**(179,177)**	(160,000)
Net cash used in financing activities	**(205,141)**	(185,964)
Net decrease in cash and cash equivalents	**(494,443)**	(710,784)
Cash and cash equivalents:		
Beginning	**3,336,637**	4,047,421
Ending	**$ 2,842,194**	3,336,637
Supplemental disclosure of cash flow information:		
Cash payments for interest	**$ 194,473**	$ 337,889

See notes to financial statements.

The Institute of World Politics

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Institute of World Politics (the Institute) is a graduate institute of national security and international affairs dedicated to developing leaders with a sound understanding of international realities and the ethical conduct of statecraft based on knowledge and appreciation of the principles of the American political economy and the Western moral tradition. The classrooms, library, and administrative offices of the Institute are located in Washington, D.C.

The Institute offers a Doctoral program, master's degrees, certificate, and continuing education programs with a professional curriculum covering the various elements of statecraft. It includes an interdisciplinary foundational course of study of the relevant elements of comparative political culture, Western moral precepts, practical political economics, and political and diplomatic history. All degrees are designed for students who are pursuing a career in the international affairs, intelligence, or national security fields.

A summary of the Institute's significant accounting policies follows:

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-for-Profit Entities Topic of the ASC, the Institute is required to report information regarding its financial position and activities according to two classes of net assets:

***Net assets without donor restrictions*:** These assets represent resources that are neither invested in perpetuity, nor purpose or time restricted by donor-imposed stipulations. Board-designated net assets represent funds set aside by the Institute's Board of Trustees (the Board) to support the Institute's programs and activities. Undesignated net assets represent funds available for general operations.

***Net assets with donor restrictions*:** These assets represent resources whose use is limited by donor-imposed stipulations that either expire by the passage of time, are invested in perpetuity or can be fulfilled and removed by actions of the Institute pursuant to these stipulations. Net assets may be restricted for various purposes, such as use in future periods or use for specified parties. Earnings on endowment funds are either net assets with donor restrictions for program purposes or are available for operations as specified by the donor.

Cash equivalents: The Institute considers money market funds, demand deposits and certificates of deposit, which are highly liquid and mature within three months, to be cash equivalents.

Financial risk: The Institute maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Institute has not experienced any losses in such accounts. The Institute believes it is not exposed to any significant financial risk on cash.

The Institute invests in a professionally managed portfolio that contains money market funds, government and corporate bonds, mutual funds and corporate stocks. Such investments are exposed to various risks, such as market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near term would materially affect investment balances and the amounts reported in the financial statements.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Tuition receivables, net: Tuition receivables are carried at original tuition contract amount, net of an allowance for credit losses based on a review of all outstanding accounts on an annual basis. The allowance for credit losses is the Institute's best estimate of the amount of probable credit losses in the Institute's existing accounts receivable and is based upon historical loss patterns, current customer circumstances and reasonably possible future conditions, and an evaluation of the potential risk of loss associated with specific accounts. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. No interest is charged on past-due receivables. Recoveries of accounts receivable previously written off are recorded when received. The opening balance of tuition receivables and deferred tuition and revenue at August 1, 2023, was $272,462 and $368, respectively.

Below is a summary of the changes in the Institute's allowance for credit losses on tuition receivables for the years ended July 31, 2025 and 2024:

	2025	2024
Balance, beginning	$ 394,390	$ 29,000
Provision for expected credit losses	10,662	365,390
Balance, ending	$ 405,052	$ 394,390

At July 31, 2025 and 2024, the Institute evaluated the impact of current and future economic conditions on its historical loss rates and in management's judgment concluded that any impact to loss rates would be immaterial to tuition receivable. Therefore, no loss rates of any risk pool were adjusted for current or future economic conditions.

Contributions receivable: Contributions receivable are recognized as support in the period received. Contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Unconditional contributions receivable that are expected to be collected in future years are recognized at the present value of estimated future cash flows, using a discount rate that reflects the applicable market rate and an adjustment for credit risk. The discount rates applied to contributions receivable outstanding at July 31, 2025 and 2024 ranged from 4.0% to 6.0% based on rates in effect at the time individual promises were received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional promises to give at July 31, 2025 and 2024.

Receivables also include allowable costs in excess of amounts collected on conditional grants. Such recoverable costs are billable and receivable when the underlying expenditures are recognized. Receivables and promises to give due in less than one year are reported at their outstanding balance.

Receivables and promises to give due beyond one year are carried at present value, less an estimate made for doubtful promises based on a review of all outstanding promises on a periodic basis. Management determines the allowance for doubtful receivables and promises by evaluating prior history of the donor and considering the proven collectability of past donations. Promises to give are written off when deemed uncollectible. Recoveries of promises to give previously written off are recorded when received. There was no allowance for doubtful receivables and promises to give at July 31, 2025 and 2024.

Investments: Investments are reported at fair value based upon quoted market prices. To adjust the carrying values of these securities, the change in fair value is recorded as a component of investment income (loss) in the statements of activities. Investments include any cash held within the investment portfolio.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Split-interest agreement: The Institute is a trustee of certain assets under a split-interest agreement, which provides for payments to the donors of specified annuity amounts. Assets held under this agreement are reported as investments held for split-interest agreement on the statements of financial position. Contribution revenue was recognized at the date of the agreement after providing for the present value of estimated future payments to be made to the donors. The annuity obligation liability is adjusted during the term of the agreements for accretion of the discount, payments made, and other changes in the estimates.

Property and equipment: Acquisitions of property and equipment in excess of $1,000 and which have useful lives greater than one year are recorded at cost and depreciated using the straight-line method over the useful lives of three to 40 years. Leasehold improvements are amortized using the straight-line method over the estimated life of the asset or the term of the lease, whichever is less.

Valuation of long-lived assets: The Institute reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Debt issuance costs: The Institute paid certain customary fees as required to secure the long-term debt used to acquire real property. These fees have been capitalized and are being amortized over the loan period up to the initial redemption date. The unamortized portion of these costs are netted with the respective debt on the accompanying statements of financial position. Amortization expense for the years ended July 31, 2025 and 2024, was $18,302 and $20,479, respectively.

Interest rate swap contract: The Institute follows the accounting standard for derivative instruments and hedging activities related to participation in an interest rate swap contract pertaining to certain long-term debt acquired. This standard requires all derivative financial instruments to be recognized in the financial statements at fair value. Changes in the fair value of the derivative instrument are recognized each period as a component of change in net assets.

Revenue recognition: The Institute's activities are primarily supported through student tuition and fees, contributions, and investment earnings. The Institute accounts for revenue recognition based on the guidance provided in FASB ASC 606, Revenue from Contracts with Customers. This guidance requires the Institute to: (1) identify the contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when each performance obligation is satisfied. Revenue is recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Tuition and fee revenue is recorded at the Institute's established rates, net of institutional and federal financial aid administered directly by the Institute. Payments for tuition and fees are due prior to the start of the academic semester in accordance with the Institute's due dates. Payments received in advance of performance obligations being satisfied are categorized as deferred tuition and revenue in the statements of financial position and then recorded over time as the performance obligation is satisfied. The performance obligation relating to tuition and fee revenue is the delivery of educational services. Students are typically entitled to a partial refund through a specific point in the academic term, after which no refunds are due upon withdrawal. Refunds issued reduce the amount of revenue recognized. Discounts provided to employees are considered part of fringe benefits within operating expenses and are recorded over time.

Unconditional contributions are recognized as revenue upon receipt or when unconditional promises to give are received. Contribution revenue is recorded as increases in net assets without donor restrictions, unless their use is limited by time of donor-imposed restrictions.

Conditional contributions are recognized when donor-imposed conditions are met. These revenues are subject to right of return if funds are not spent and also have barriers that must be met in order to be entitled to the funds. In addition, conditional gifts are not recognized until earned. Accordingly, amounts received, but not yet recognized as revenue, are classified as refundable advances in the statement of financial position. There were no additional revenues to be earned on conditional grants for the years ended July 31, 2025 and 2024.

Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. There were no contributed assets other than cash for the years ended July 31, 2025 and 2024.

Bequest gifts: The Institute's share of bequests is recorded when the Institute has an irrevocable right to the bequest and the proceeds are measurable. During the year ended July 31, 2025, the Institute was identified as a beneficiary of an irrevocable trust. The valuation of the irrevocable trust is determined based off of the fair value of trust assets at July 31, 2025. The Institute recorded $1,560,000 of contribution receivables and contribution and grant revenue on the statement of financial position and statement of activities for the year ended July 31, 2025. The Institute did not receive irrevocable rights to a bequest during the year ended July 31, 2024.

Functional allocation of expenses: The costs of providing various program and supporting services have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated between the programs and supporting services benefited. Salaries and benefits are allocated based on estimates of time and effort. All other expenses that are not directly related are allocated based on a percentage of time and effort for each department.

Advertising costs: Advertising costs are expensed as incurred, and were $384,854 and $768,355 during the years ended July 31, 2025 and 2024, respectively.

Income taxes: The Institute is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Institute is exempt from federal taxes on income other than unrelated business income. Income tax expense for the years ended July 31, 2025 and 2024, was insignificant. The Institute is not classified as a private foundation under Section 509(a)(1) of the IRC.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

The Institute follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Institute may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes and accounting in interim periods.

Management evaluated the Institute's tax positions and concluded the Institute has taken no uncertain tax positions which require adjustment to the financial statements to comply with the provisions of this guidance.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recently issued accounting pronouncements: In July 2025, the FASB issued Accounting Standards Update (ASU) 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The ASU introduces a practical expedient and, for entities other than public business entities, an accounting policy election to simplify the application of Topic 326, Financial Instruments—Credit Losses, to current accounts receivable and current contract assets arising from revenue transactions accounted for under Topic 606, Revenue from Contracts with Customers. This ASU is effective for all entities for annual reporting periods beginning after December 15, 2025, and interim reporting periods with those annual reporting periods. Early adoption is permitted in both interim and annual reporting periods in which financial statements have not yet been issued or made available for issuance. The Institute is currently evaluating the impact of this new guidance on its consolidated financial statements.

Reclassifications: Certain amounts in the prior-year financial statements have been reclassified to conform to the current-year presentation. Such reclassifications had no effect on the change in net assets, total assets, total liabilities, or net assets previously reported.

Subsequent events: The Institute has evaluated subsequent events through August 17, 2026, the date on which the financial statements were available to be issued.

Note 2. Contributions Receivable

Contributions receivable at July 31, 2025 and 2024, are expected to be received as follows:

	2025	2024
Less than one year	$ 2,073,095	$ 806,004
One to four years	151,000	362,000
More than five years	75,000	100,000
	2,299,095	1,268,004
Less discount factor	(63,796)	(38,751)
	$ 2,235,299	$ 1,229,253

Note 3. Investments

Investments consisted of the following at July 31, 2025 and 2024:

	2025	2024
Cash and cash equivalents	$ 415,246	$ 1,118,067
Exchange-traded funds	17,032	40,732
Equity mutual funds	2,348,995	2,258,218
Fixed income	1,690,666	2,001,413
	$ 4,471,939	$ 5,418,430

Investment return for the years ended July 31, 2025 and 2024, is composed of the following:

	2025	2024 (As Restated)
Interest and dividends	$ 203,323	$ 111,876
Realized and unrealized (loss) gain	93,762	587,887
Investment fees	(26,867)	(5,405)
	$ 270,218	$ 694,358

Note 4. Split-Interest Agreement

Charitable gift annuity investments at July 31, 2025 and 2024, are composed of the following:

	2025	2024
Money market fund	$ 4,208	$ 7,721
Domestic equity mutual funds	254,243	243,790
Fixed income mutual funds	124,948	128,104
	$ 383,399	$ 379,615

Note 4. Split-Interest Agreement (Continued)

The following is a summary of the changes in the annuity obligation for the years ended July 31, 2025 and 2024:

	2025	2024
Beginning	$ 44,705	$ 70,669
Payments to annuitant	(25,964)	(25,964)
Ending	$ 18,741	$ 44,705

Note 5. Fair Value Measurements

The Fair Value Measurement Topic of the ASC defines fair value 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the Fair Value Topic of the ASC as assumptions market participants would use in pricing an asset or liability.

The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments in Level 1 include money market funds, exchange-traded funds, equity mutual funds, fixed income securities.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined using models or other valuation methodologies. The interest rate swap contract connected to the Institute's long-term debt is classified as a Level 2 instrument because its value is a function of the difference between the interest rate on the Institute's long-term debt and the rate in the swap agreement; hence, there are observable market-based inputs. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. The Institute held no Level 3 investments at July 31, 2025 and 2024.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Institute's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

Note 5. Fair Value Measurements (Continued)

The following tables present the Institute's fair value hierarchy for those assets measured at fair value on a recurring basis as of July 31, 2025 and 2024:

	2025			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	$ 415,246	$ -	$ -	$ 415,246
Exchange-traded funds	17,032	-	-	17,032
Equity mutual funds	2,348,995	-	-	2,348,995
Fixed income	-	1,690,666	-	1,690,666
	$ 2,781,273	$ 1,690,666	$ -	$ 4,471,939
Investments held for split-interest agreements:				
Domestic mutual funds	$ 254,243	$ -	$ -	$ 254,243
Fixed income mutual funds	124,948	-	-	124,948
Money market fund	4,208	-	-	4,208
	$ 383,399	$ -	$ -	$ 383,399
Interest rate swap contract	$ -	$ 602,109	$ -	$ 602,109

	2024 (As Restated)			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	$ 1,118,067	$ -	$ -	$ 1,118,067
Exchange-traded funds	40,732	-	-	40,732
Equity mutual funds	2,258,218	-	-	2,258,218
Fixed income	-	2,001,413	-	2,001,413
	$ 3,417,017	$ 2,001,413	$ -	$ 5,418,430
Investments held for split-interest agreements:				
Domestic mutual funds	$ 243,790	$ -	$ -	$ 243,790
Fixed income mutual funds	128,104	-	-	128,104
Money market fund	7,721	-	-	7,721
	$ 379,615	$ -	$ -	$ 379,615
Interest rate swap contract	$ -	$ 579,881	$ -	$ 579,881

Note 6. Property and Equipment

Property and equipment, net, at July 31, 2025 and 2024, is as follows:

	2025	2024
Land	$ 2,060,000	$ 2,060,000
Building and improvements	8,525,623	8,525,893
Leasehold improvements	801,128	524,616
Furniture and equipment	416,540	410,339
Software and website development costs	815,343	815,343
	12,618,634	12,336,191
Less accumulated depreciation	(2,819,242)	(2,712,154)
	$ 9,799,392	$ 9,624,037

Note 7. Long-Term Debt

On September 26, 2016, the Institute closed on its purchase of land and building for $10.3 million, which includes the space it previously leased. In connection with the purchase of the leased property, the Institute obtained partial financing through the issuance of $8.5 million District of Columbia Revenue Bonds, Series 2016 (the 2016 Bonds) with Truist Bank. In March 2022, the Institute refinanced the loan with Pinnacle Bank for the principal amount of $7.2 million, with an underlying variable rate of 79% x 30-Day Term Secured Overnight Financing Rate (SOFR), plus 90%. Interest is payable monthly and the amortization period is 30 years. The 2022 Bonds are set to mature on April 1, 2052, and are secured by all facilities of the Institute.

The Institute's debt agreements note they are subject to certain debt covenants that must be met and reported annually.

Notes payable, net, consist of the following at July 31, 2025 and 2024:

	2025	2024
Notes payable	$ 6,671,000	$ 6,848,000
Less unamortized debt issuance costs	(120,490)	(136,615)
	$ 6,550,510	$ 6,711,385

Annual principal payments on the 2022 Bonds are due in future years as follows:

Years ending July 31:	
2026	$ 170,000
2027	174,000
2028	179,000
2029	185,000
2030	190,000
Thereafter	5,773,000
	$ 6,671,000

Note 7. Long-Term Debt (Continued)

Interest rate swap: The Institute entered into an interest rate swap agreement with the 2022 Bonds issuance in March 2022, with an underlying synthetic fixed rate of 2.819% and a notional amount of $6,848,000. The swap was effective on March 30, 2022, and terminates on April 1, 2037. The Institute recognized a gain of $14,144 and $36,727 on market value changes for the years ended July 31, 2025 and 2024, respectively.

Interest expense for the years ended July 31, 2025 and 2024, was $212,775 and $307,600, respectively.

Note 8. Line of Credit

The Institute entered into a new line of credit agreement with Pinnacle for $1,000,000 during the year ended July 31, 2022, which originally expired March 30, 2024. The Institute extended the line through March 30, 2028. The interest for the line of credit will be computed on the basis of a 360-day year for the actual number of days elapsed and will adjust monthly with changes in 30-Day Term SOFR. The interest rate for the line of credit was 4.92% for the year ended July 31, 2025. There was no outstanding balance on the line of credit at July 31, 2025.

Note 9. Leases

The Institute has entered into two finance leases for purposes of acquiring office equipment, which expire at various dates through fiscal year 2027. Finance right-of-use assets in the amount of $19,700 are recorded within prepaid expenses and other assets on the statement of financial position. Finance lease liabilities of $17,509 are recorded within accounts payable and accrued expenses on the statement of financial position.

Future minimum lease payments due under the equipment leases in effect at July 31, 2025, are as follows:

Years ending July 31:	
2026	$ 8,646
2027	8,646
2028	217
	$ 17,509

Other required information on the Institute's lease obligations at July 31, 2025 and 2024, is as follows:

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases (i.e., interest)	$ 737	$ 865
Financing cash flows from finance leases (i.e., principal portion)	$ 10,317	$ 11,152
Weighted-average remaining lease term for finance leases	2.25 years	3.02 years
Weighted-average discount rate for finance leases	2.66%	5.38%

Note 10. Net Assets With Donor Restrictions

During the years ended July 31, 2025 and 2024, changes in net assets with donor restrictions were as follows:

	2025				
	July 31, 2024	Reclassifications	Income	Releases	July 31, 2025
Subject to expenditure for a specific purpose or period:					
Aldona scholarship	$ 42,247	$ -	$ 100,000	$ (110,000)	$ 32,247
PhD program	551,588	-	220,000	(216,000)	555,588
Time restricted promises	427,600	190,484	1,696,088	(2,012,322)	301,850
Library/Taube Philanthropies	55,108	-	100,450	(155,558)	-
Kosciuszko Chair	1,768,959	-	-	(508,202)	1,260,757
Other	397,117	(190,484)	528,263	(282,238)	452,658
	3,242,619	-	2,644,801	(3,284,320)	2,603,100
Subject to IWP spending policy and appropriation:					
Kosciuszko Chair Endowment income	110,444	-	234,979	(115,000)	230,423
Hayes Endowment income	92,092	-	99,141	-	191,233
	202,536		334,120	(115,000)	421,656
Donor-restricted endowment funds:					
Kosciuszko Chair Endowment (corpus)	2,015,879	-	-	-	2,015,879
Hayes Endowment (corpus)	500,000	-	-	-	500,000
	2,515,879		-	-	2,515,879
Total net assets with donor restrictions	$ 5,961,034	$ -	$ 2,978,921	$ (3,399,320)	$ 5,540,635

	2024				
	July 31, 2023	Reclassifications	Income	Releases	July 31, 2024
Subject to expenditure for a specific purpose or period:					
Aldona scholarship	$ 120,083	$ -	$ 22,164	$ (100,000)	$ 42,247
PhD program	347,188	-	220,000	(15,600)	551,588
Time restricted promises	2,194,180	-	111,227	(1,877,807)	427,600
Distance Learning	63,285	-	10,000	(73,285)	-
Library/Taube Philanthropies	73,980	-	75,794	(94,666)	55,108
Kosciuszko Chair	2,162,048	-	225	(393,314)	1,768,959
Other	547,115	-	284,824	(434,822)	397,117
	5,507,879	-	724,234	(2,989,494)	3,242,619
Subject to IWP spending policy and appropriation:					
Kosciuszko Chair Endowment income	152,169	-	69,004	(110,729)	110,444
Hayes Endowment income	107,963	-	-	(15,871)	92,092
	260,132	-	69,004	(126,600)	202,536
Donor-restricted endowment funds:					
Kosciuszko Chair Endowment (corpus)	2,015,879	-	-	-	2,015,879
Hayes Endowment (corpus)	500,000	-	-	-	500,000
	2,515,879	-	-	-	2,515,879
Total net assets with donor restrictions	$ 8,283,890	$ -	$ 793,238	$ (3,116,094)	$ 5,961,034

Note 11. Endowment

The Institute follows the FASB ASC topic related to endowments of nonprofit organizations, which provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission (ULC, formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. In 2008, the District of Columbia enacted UPMIFA. Under UPMIFA, all unappropriated endowment fund assets are considered restricted.

The Board has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as endowments held in perpetuity: (a) the original value of gifts donated to the endowments held in perpetuity, (b) the original value of subsequent gifts to the endowments held in perpetuity and (c) accumulations to the endowments held in perpetuity made in accordance with the direction of applicable donor gift instruments at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in endowments held in perpetuity is classified as donor-restricted net assets until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Institute and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Institute
- The investment policies of the Institute

The Institute's endowment consists of five individually named endowments funds, two of which are restricted by donors to be invested in perpetuity with three others board-designated to function as endowments (quasi-endowment) to support mainly qualifying faculty appointments and scholarships. Assets related to the endowment funds are included in the investments and restricted cash in the statements of financial position. As required by U.S. GAAP, net assets associated with donor-restricted endowment funds are classified as net assets with donor restrictions.

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Institute to retain as a fund for perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported as a reduction of net assets with donor restrictions. There were no deficiencies as of July 31, 2025 and 2024.

Return objectives and risk parameters: Management of the endowment assets is designed to ensure a total return (income, plus capital change) necessary to preserve and enhance (in real dollar terms) the principal of the fund and, at the same time, provide a dependable source of support for current operations and programs. Therefore, the Institute's goal for its endowment funds is to preserve and enhance purchasing power after accounting for investment returns, spending and inflation (but excluding gifts).

Note 11. Endowment (Continued)

Strategies employed for achieving objectives: Reasonable diversification is sought at all times. Experience has shown financial markets and inflation rates are cyclical and, therefore, control of volatility will be achieved through diversification of asset classes and selection of managers of diverse investment styles. The Board examines the correlation of the investment portfolio and it has historically had positive returns.

Spending policy: For the Hayes endowment, the Institute's policy is to appropriate 3% of the average of the previous three fiscal years' beginning period endowment values each year. There was no endowment draw for the Hayes endowment for the years ended July 31, 2025 and 2024.

For the Kosciuszko Chair endowment, the Institute's policy is to appropriate no more than 5% of the December 31 fund value of the most recent calendar year.

The Institute's endowment balances, by net asset classification, are as follows as of July 31, 2025 and 2024:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment	$ 372,965	$ -	$ 372,965
Donor-restricted endowment	-	2,937,535	2,937,535
Total funds	$ 372,965	$ 2,937,535	$ 3,310,500

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment	$ 452,358	$ -	$ 452,358
Donor-restricted endowment	-	2,718,415	2,718,415
Total funds	$ 452,358	$ 2,718,415	$ 3,170,773

The change in endowment net assets for the years ended July 31 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 31, 2023	$ 384,071	$ 2,776,011	$ 3,160,082
Investment gain, net	68,287	69,004	137,291
Contributions	-	-	-
Releases	-	(126,600)	(126,600)
Endowment net assets, July 31, 2024	452,358	2,718,415	3,170,773
Investment gain, net	30,260	85,682	115,942
Contributions	-	-	-
Releases	(109,653)	(115,000)	(224,653)
Other	-	248,438	248,438
Endowment net assets, July 31, 2025	$ 372,965	$ 2,937,535	$ 3,310,500

Note 12. Pension Plan

The Institute maintains a salary reduction defined contribution retirement plan pursuant to Section 403(b) of the IRC. The Institute, at its option, may contribute to the plan on behalf of its eligible employees. Currently, the Institute contributes a match up to 5% of employee salaries. Pension expense totaled $228,675 and $198,020 for the years ended July 31, 2025 and 2024, respectively.

Note 13. Contingencies

Federal funded financial aid programs are subject to special audits. Such audits could result in claims against the resources of the Institute. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

Note 14. Liquidity and Availability

The Institute is substantially supported by both annual tuition, restricted contributions and endowments. Because a donor's restriction requires resources to be used in a particular manner, the Institute must maintain sufficient resources to meet those responsibilities to its donors. As part of the Institute's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Institute operates within its budget and monitors reserves to provide reasonable assurance obligations can be satisfied when due. In addition, the Board designates a liquidity reserve of $372,965 and $452,358 for the years ended July 31, 2025 and 2024, respectively, that can be drawn upon in the event of financial distress or an immediate liquidity need. The Institute can also draw upon the $1,000,000 line of credit for any liquidity needs.

The following table represents the Institute's financial assets at July 31, 2025 and 2024:

	2025	2024 (As Restated)
Cash and cash equivalents	$ 2,842,194	$ 3,336,637
Tuition receivables, net	383,367	327,576
Contributions receivable, net	2,235,299	1,229,253
Investments	4,471,939	5,418,430
Investments held for split-interest agreements	383,399	379,615
Total financial assets	10,316,198	10,691,511
Less annuity obligations	(18,741)	(44,705)
Less net assets with donor restrictions	(5,540,635)	(5,961,034)
Less board-designated amounts	(372,965)	(452,358)
Financial assets available to meet operating needs over the next 12 months	$ 4,383,857	$ 4,233,414

Note 15. Financial Responsibility Information

The Department of Education's financial responsibility ratio requirements (34 668.172) require that certain information necessary to calculate the financial responsibility ratio be provided and referenced to the financial statements or footnotes. The following disclosures fulfill that requirement.

Property and equipment consists of the following at July 31, 2025:

	Preimplementation	Postimplementation With Outstanding Debt for Original Purchase	Postimplementation Without Outstanding Debt for Original Purchase	Total
Beginning of year	$ 8,740,570	$ -	$ 883,467	$ 9,624,037
Additions	-	-	282,714	282,714
Depreciation	(63,040)	-	(44,319)	(107,359)
Change in construction in progress	-	-	-	-
Disposals	-	-	-	-
End of year	$ 8,677,530	$ -	$ 1,121,862	$ 9,799,392

Long-term debt consists of the following at July 31, 2025:

	Preimplementation	Postimplementation With Outstanding Debt for Original Purchase	Postimplementation Without Outstanding Debt for Original Purchase	Total
Beginning of year	$ 6,711,385	$ -	$ -	$ 6,711,385
Additions	-	-	-	-
Payments	(160,875)	-	-	(160,875)
End of year	$ 6,550,510	$ -	$ -	$ 6,550,510

All right-of-use assets of $43,200 and lease liabilities of $17,509 at July 31, 2025 are postimplementation.

Note 16. Restatement

During the year ended July 31, 2025, a material misstatement was identified in the July 31, 2024, financial statements. The error related to an overstatement of cash and cash equivalents on the statement of financial position at July 31, 2024; an overstatement of investment income for the year ended July 31, 2024; and related matters on the statement of cash flows for the year ended July 31, 2024.

Note 16. Restatement (Continued)

The effects of the restatement on the financial statements as of and for the year ended July 31, 2024, are summarized as follows:

	As Originally Reported	Adjustment	As Restated
Statement of financial position:			
Restricted cash	$ 554,060	$ (554,060)	$ -
Total assets	21,792,756	(554,060)	21,238,696
Net assets without donor restrictions—undesignated	8,192,443	(554,060)	7,638,383
Total net assets without donor restrictions	8,644,801	(554,060)	8,090,741
Total net assets	14,605,835	(554,060)	14,051,775
Statement of activities:			
Investment income, net—without donor restrictions	$ 1,179,414	$ (554,060)	$ 625,354
Investment income, net—total	1,248,418	(554,060)	694,358
Total other income—without donor restrictions	1,216,141	(554,060)	662,081
Total other income—total	1,285,145	(554,060)	731,085
Change in net assets—without donor restrictions	2,087,128	(554,060)	1,533,068
Change in net assets—total	(235,728)	(554,060)	(789,788)
Net assets, end of year—without donor restrictions	8,644,801	(554,060)	8,090,741
Net assets, end of year—total	14,605,835	(554,060)	14,051,775
Statement of cash flows:			
Change in net assets	$ (235,728)	$ (554,060)	$ (789,788)
Realized and unrealized gain on investments	(1,141,947)	554,060	(587,887)
Purchases of investments	(1,671,926)	(554,060)	(2,225,986)
Net cash used in investing activities	(1,517,489)	(554,060)	(2,071,549)
Net decrease in cash and cash equivalents	(156,724)	(554,060)	(710,784)
Cash and cash equivalents and restricted cash—ending	3,890,697	(554,060)	3,336,637

Note 16. Restatement (Continued)

Within Note 3 to the financial statements, the presentation and disclosure of investment income has been restated to correct the amount of realized and unrealized gains for the year ended July 31, 2024. Within Note 5 to the financial statements, the fair value level table has been restated to reflect the removal of restricted cash at July 31, 2024. Within Note 14 to the financial statements, the liquidity table for the year ended July 31, 2024 was restated to reflect the reduction in restricted cash, thus lowering the total financial assets available to meet operating needs over the next 12 months as of July 31, 2024.

Note 17. Related Parties

The Institute does not have related parties other than members of the Board. The Board contributed $2,161,750 and $1,364,134 to the Institute for the years ended July 31, 2025 and 2024, respectively, which are included on the statements of activities. Related party receivables are $260,000 and $181,032 for the years ended July 31, 2025 and 2024, respectively, which are included on the statements of financial position.