

**LUDWIG VON MISES INSTITUTE  
FOR AUSTRIAN ECONOMICS, INC.**

Financial Statements

December 31, 2018

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Ludwig von Mises Institute for Austrian Economics, Inc.  
Auburn, Alabama

We have audited the accompanying financial statements of Ludwig von Mises Institute for Austrian Economics, Inc., which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ludwig von Mises Institute for Austrian Economics, Inc. as of December 31, 2018, 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.

### Emphasis of Matter - Adoption of Accounting Standards

As discussed in Note 1 to the financial statements, in 2018, the Institute adopted the new accounting guidance in Accounting Standards Updates (ASU) 2016-14. Our report is not modified with respect to this matter.

**BMSS, LLC**

Birmingham, Alabama  
October 4, 2019

**LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.**

Statement of Financial Position

December 31, 2018

**Assets**

Current assets

Cash and cash equivalents	\$ 3,061,809
Bequests receivable	388,324
Inventory, net	156,241
Prepaid expenses	<u>37,455</u>
	3,643,829

Property and equipment

Land, buildings and improvements	7,344,986
Computer and office equipment	490,459
Furniture and fixtures	396,373
Software	362,162
Construction in progress	<u>76,075</u>
	8,670,055

Less accumulated depreciation (4,048,926)

Property and equipment, net 4,621,129

Deposits and other assets 3,085

Investments 12,648,891

Investments held in gift annuities 149,776

Beneficial interest in charitable remainder trusts 328,134

\$ 21,394,844

See notes to financial statements.

**Liabilities and Net Assets**

Current liabilities

Accounts payable and accrued expenses	\$ 197,872
Current portion of liabilities associated with gift annuities	<u>16,329</u>
	214,201

Note payable 100,000

Liabilities associated with gift annuities, less current portion 58,208

Net assets

Without donor restrictions	18,920,281
With donor restrictions	<u>2,102,154</u>
	<u>21,022,435</u>

\$ 21,394,844

**LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.**

Statement of Activities  
Year ended December 31, 2018

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Operating revenues and other support</b>			
Contributions	\$ 4,030,050	\$ -	\$ 4,030,050
Sales and publications	269,280	-	269,280
Conference and seminar fees	85,500	-	85,500
Other program service fees	1,796	-	1,796
Total revenue and other support before release of restrictions	4,386,626	-	4,386,626
Net assets released from temporary restrictions	15,100	(15,100)	-
Total revenue and other support	4,401,726	(15,100)	4,386,626
<b>Disbursements and expenses</b>			
Program services	3,110,669	-	3,110,669
General and administrative	344,921	-	344,921
Fundraising	482,216	-	482,216
Total expenses	3,937,806	-	3,937,806
<b>Change in net assets before other income (expense)</b>	463,920	(15,100)	448,820
<b>Nonoperating income (expense)</b>			
Interest and dividends	112,810	18,757	131,567
Change in value in beneficial interest in charitable remainder trusts	-	(55,542)	(55,542)
Change in value of liabilities associated with gift annuities	(11,899)	-	(11,899)
Unrealized loss on investments	(879,947)	(54,852)	(934,799)
Realized gain on investments	209,963	-	209,963
Rental income, net of expenses	20,508	-	20,508
Gain on disposal of property and equipment	1,365	-	1,365
Other support and income	30,969	-	30,969
Total other income (expense)	(516,231)	(91,637)	(607,868)
Change in net assets	(52,311)	(106,737)	(159,048)
Net assets - beginning of year	18,972,592	2,208,891	21,181,483
Net assets - end of year	\$ 18,920,281	\$ 2,102,154	\$ 21,022,435

See notes to financial statements.

**LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.**

Statement of Cash Flows  
Year ended December 31, 2018

**Operating Activities**

Change in net assets	\$ (159,048)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	264,552
Gain on disposal of property and equipment	(1,365)
Interest and dividends	(131,567)
Net realized and unrealized gains on investments	724,836
Change in value in beneficial interests	55,542
Changes in operating assets and liabilities	
Bequest receivable	(268,324)
Inventory	(18,223)
Prepaid expenses	(35,459)
Deposits and other assets	(2)
Accounts payable and accrued expenses	28,659
Liabilities associated with gift annuities	(3,379)
Net cash provided by operating activities	<u>456,222</u>

**Investing Activities**

Proceeds from sale of investments	226,834
Purchases of investments	(45,348)
Purchases of property and equipment	(98,538)
Net cash provided by investing activities	<u>82,948</u>

Net increase in cash and cash equivalents 539,170

Cash and cash equivalents - beginning of year 2,522,639

Cash and cash equivalents - end of year \$ 3,061,809

See notes to financial statements.

# LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.

Notes to Financial Statements

December 31, 2018

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of Activities

Ludwig von Mises Institute for Austrian Economics, Inc. (the Institute) is organized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Its primary function is to promote the ideas of Ludwig von Mises and his work through the collection of contributions, the awarding of fellowships, and the publishing and distribution of his works. The Institute's primary sources of revenue are contributions from the public, book sales, and registration fees from conferences and seminars.

### Basis of Accounting

The financial statements of the Institute have been prepared in accordance with accounting principles generally accepted in the United States of America. In preparing the financial statements, management evaluated subsequent events through October 4, 2019, the date the financial statements were available to be issued.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets 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. Actual results could differ from those estimates.

### New Accounting Pronouncements

The Institute adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, though early application of the amendments in the update is permitted. The Institute adopted the update for the year ended December 31, 2018. Under the newly adopted update, the Institute now presents net assets without donor restrictions and net assets with donor restrictions. The Institute also discloses functional expenses in the notes to the consolidated financial statements.

### Basis of Financial Statement Presentation

The Institute reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

*Without donor restrictions* are those currently available at the direction of the Board of Directors (the Board) for use in the Institute's operations or invested in property and equipment.

**LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.**

Notes to Financial Statements

December 31, 2018

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Basis of Financial Statement Presentation - Continued**

*With donor restrictions* are those which are stipulated by donors for specific operating purposes and those that are time restricted, or those required to be held in perpetuity.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to without donor restricted net assets and are reported in the statement of activities as net assets released from restriction.

**Cash and Cash Equivalents**

The Institute considers all instruments with an original maturity of three months or less to be cash and cash equivalents. Cash equivalents consist of money market securities stated at amortized cost which approximates fair value. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. These amounts represent actual account balances held by financial institutions at the end of the period, and unlike the balance reported in the financial statements, the account balances do not reflect timing delays inherent in reconciling items such as outstanding checks and deposits in transit. The Institute has never experienced any losses related to these balances.

**Inventory**

Inventory consists of publications, media, and memorabilia and is stated at the lower of cost, as determined by the first-in, first-out (FIFO) method, or market. The Institute estimates potential obsolescence in inventory held at year end based on knowledge of products, the industry, and current market conditions. The reserve for inventory obsolescence totaled \$134,074 at December 31, 2018.

**Investments**

Investments with readily determinable fair values are recorded at fair market value. Investments without readily determinable fair values are recorded at cost, or if impaired, at estimated realizable value. The Institute's investments as of December 31, 2018 consisted primarily of marketable debt and equity securities, certificates of deposits, and precious metals held at banks or bonded warehouses.

Investments which are permanently restricted consist of perpetual endowment accounts held and managed in accordance with donor stipulations.

**LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.**

Notes to Financial Statements

December 31, 2018

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Investments - Continued**

The Board and management of the Institute have interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as permanently restricted net assets (a) the original value of gifts donated to the endowment funds and (b) the value of subsequent contributions to the endowment funds and accumulations to the permanent endowment funds made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Institute and the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Institute, and (7) the investment policies of the Institute.

The Financial Advisory Committee is charged with the fiduciary responsibility of preserving and augmenting the value of the endowments, included in investments, thereby sustaining the ability to generate financial support to further the mission of the Institute. The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that cover the payouts, administrative expenses, plus the rate of inflation while assuming a moderate level of investment risk.

Investments have been classified as non-current assets on the balance sheet as it is the intention of management to hold the investments for a period greater than one year as of December 31, 2018.

**LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.**

Notes to Financial Statements

December 31, 2018

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Property and Equipment**

Property and equipment are carried at cost or, if donated, the approximate fair value at the date of donation, less accumulated depreciation and include expenditures which substantially increase the useful lives of existing property and equipment. Maintenance, repairs, and minor renovations are charged to income as incurred. When property and equipment are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the respective accounts and any gain or loss on the disposition is credited or charged to income. The Institute provides for depreciation of property and equipment using the straight-line method designed to amortize costs over the following estimated useful lives: buildings and improvements, 5 to 40 years; computer and office equipment, 5 to 15 years; furniture and fixtures, 5 to 7 years; and software, 3 years.

**Beneficial Interest in Charitable Remainder Trust and Gift Annuities**

The Institute is a full or partial beneficiary of charitable remainder trusts and gift annuities. These charitable gift annuities are recorded at the Institute's fair value of the underlying investments, less the present value of future cash outflows to lifetime annuitants or specified time period beneficiaries. Charitable remainder trusts are recorded at the fair value of the underlying investments since the beneficiary is no longer receiving distributions.

**Income Taxes**

The Institute is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3), except to the extent that it has taxable income from businesses that are not related to its tax-exempt purpose. Unrelated business income, if there was any, would be taxed at the applicable corporate income tax rate. The Institute did not have any unrelated business income during the year ended December 31, 2018, and accordingly, no provision for income taxes has been made in the financial statements.

The Institute is not currently under examination by any taxing jurisdiction. For the year ended December 31, 2018, there were no interest or penalties associated with tax positions recorded in the accompanying financial statements.

**Fair Value**

The established framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price the Institute would expect to receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date.

**LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.**

Notes to Financial Statements

December 31, 2018

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Fair Value - Continued**

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Institute has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs which are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

**NOTE 2 - LIQUIDITY AND AVAILABILITY**

The following table reflects the Institute's financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year. Such amounts include those set aside for long-term investing. However, amounts already appropriated from the donor-restricted endowment within one year have not been subtracted as unavailable.

**LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.**

Notes to Financial Statements

December 31, 2018

(Continued)

**NOTE 2 - LIQUIDITY AND AVAILABILITY - Continued**

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, consisted of the following at December 31:

Financial assets	\$ 16,617,474
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions	1,624,244
Charitable remainder trusts and gift annuities	<u>477,910</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 14,515,320</u>

**NOTE 3 - FAIR VALUE**

The following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in the methodologies used during the year ended December 31, 2018.

- *Money Market Funds*: Valued at amortized cost which approximates fair value.
- *Marketable Equity Securities*: Valued at the closing price reported on the active markets on which the individual securities are traded.
- *Mutual Funds*: Valued based on quoted market prices.
- *Certificates of Deposit*: Valued at amortized cost which approximates fair value.
- *Precious Metals (held at banks or bonded warehouses)*: Valued at the closing price reported on the active markets on which the individual items are traded.
- *Limited Partnerships*: Valued based on the net asset value of the investment (or its equivalent) without further adjustment (unless management determines that the net asset value is deemed to be not reflective of fair value) since the limited partnerships are investment companies that have calculated net asset value per share in accordance with the specialized accounting guidance for investment companies. The fair value of the Institute's investments in limited partnerships generally represents the amount the Institute would expect to receive if it were to liquidate its investment in the partnerships excluding any redemption charges that may apply.
- *Beneficial Interest in Charitable Remainder Trusts (CRT)*: CRTs are valued at the pro rata share of the market value of the underlying assets.

**LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.**

Notes to Financial Statements

December 31, 2018

(Continued)

**NOTE 3 - FAIR VALUE - Continued**

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level within the fair value hierarchy, the Institute's investment assets at fair value as of December 31, 2018:

	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Money market funds	\$ 1,641,458	\$ 1,641,458	\$ -	\$ -
Marketable equity securities	1,355	1,355	-	-
Mutual funds	8,051,962	8,051,962	-	-
Certificates of deposit	1,598,161	1,598,161	-	-
Precious metals, held at banks or bonded warehouses	3,140,273	3,140,273	-	-
Limited partnerships	6,916	-	6,916	-
Total investments	<u>12,798,667</u>	<u>12,791,751</u>	<u>6,916</u>	<u>-</u>
Beneficial interest in charitable remainder trusts	328,134	-	-	328,134
Total beneficial interests	<u>328,134</u>	<u>-</u>	<u>-</u>	<u>328,134</u>
	<u>\$ 14,768,259</u>	<u>\$ 14,433,209</u>	<u>\$ 6,916</u>	<u>\$ 328,134</u>

**LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.**

Notes to Financial Statements

December 31, 2018

(Continued)

**NOTE 3 - FAIR VALUE - Continued**

The following table sets forth a summary of changes in the fair value of the Institute's level three investment assets for the year ended December 31, 2018:

	<b>Beneficial Interest in Charitable Remainder Trusts</b>
Balance - December 31, 2017	\$ 383,676
Change in value	(55,542)
Balance - December 31, 2018	<u>\$ 328,134</u>

**NOTE 4 - ENDOWMENT**

The Institute's endowment consists of donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in endowment net assets consisted of the following during the year ended December 31, 2018:

	<b>With Donor Restrictions</b>
Endowment nets assets - December 31, 2017	\$ 1,166,067
Investment income	6,729
Realized and unrealized losses, net	(54,852)
Total investment return	<u>(48,123)</u>
Endowment net assets - December 31, 2018	<u>\$ 1,117,944</u>

**LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.**

Notes to Financial Statements

December 31, 2018

(Continued)

**NOTE 4 - ENDOWMENT - Continued**

A description of amounts of net assets classified as with donor restrictions (endowment only) consisted of the following at December 31, 2018:

Net assets with donor restrictions:

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA

\$ 1,117,944

Endowment assets are invested to result in an inflation-protected rate of return that has sufficient liquidity to make an annual distribution while growing the funds if possible. Actual returns in any given year will vary. To satisfy its long-term, rate-of-return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level necessary to maintain the purchasing power of the original gift plus additions. Deficiencies of this nature, called underwater endowment funds, resulted from unfavorable market fluctuations and continued appropriation for certain programs that were deemed prudent by the Foundation's Board of Directors. Underwater endowment funds consisted of the following at December 31:

Fair value of assets	\$ 1,117,944
Original gift plus additions	<u>1,149,375</u>
	<u>\$ (31,431)</u>

**NOTE 5 - NOTE PAYABLE**

The Institute has a \$100,000 note payable to a charitable trust, bearing interest at 8.00% annually. Interest is waived annually per a signed agreement dated November 1, 1998. Under the terms of the agreement, the note will be forgiven upon the death of the creators of the Trust. The Trust has the right to demand repayment of the note with a six-month notice.

**LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.**

Notes to Financial Statements

December 31, 2018

(Continued)

**NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS**

Donor restricted net assets were available for the following purposes at December 31, 2018:

Subject to expenditure for a specific purpose:

Scholarships	\$ 17,000
Special projects	489,300
	<hr/> 506,300

Investment in perpetuity, which, once appropriated, is expendable to:

Scholarships	1,067,944
Other	50,000
	<hr/> 1,117,944

Beneficial interests in various trusts and gift annuities to support:

Operating purposes	328,134
Other	149,776
	<hr/> 477,910

\$ 2,102,154

**NOTE 7 - RETIREMENT PLAN**

The Institute makes contributions for its employees to a defined contribution retirement plan. The Institute makes matching contributions to employee accounts at the rate of 100% for the first 1% of salary contributed and 50% of the next 5% of salary contributed, resulting in a match up to 3.5% on 6% of contributed salary. Full-time employees and part-time employees working over 20 hours per week are eligible for participation in the plan on the first day of employment and are fully vested after six months of participation. Employer contributions to the plan totaled \$43,872 during the year ended December 31, 2018.

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

The Institute leases office equipment under a noncancelable operating lease agreement expiring in January 2019. The Institute also leases bookstore warehouse space under an operating lease agreement expiring in March 2019. Rent expense incurred under these operating lease agreements totaled \$30,720 during the year ended December 31, 2018. At December 31, 2018, future amounts due under the noncancelable operating lease agreement are \$7,020 for the year ending December 31, 2019.

**LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.**

Notes to Financial Statements

December 31, 2018

(Continued)

**NOTE 9 - FUNCTIONAL EXPENSES**

The financial statements contain certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee benefits, payroll taxes, repairs and maintenance and depreciation. Management determined based on the nature of the Institute's operations and organizational structure, that the principal drivers of expenses are employees' time and square footage of office space. Therefore, the estimated time spent by each employee for each functional expense is used as the basis for allocating salaries, employee benefits and payroll taxes, and the square footage of office space is used as the basis for allocating repairs and maintenance and depreciation.

**LUDWIG VON MISES INSTITUTE FOR AUSTRIAN ECONOMICS, INC.**

Notes to Financial Statements

December 31, 2018

(Continued)

**NOTE 9 - FUNCTIONAL EXPENSES – Continued**

The expenses of the Institute, by function, for the year ended December 31, 2018 are as follows:

	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Academic outreach	\$ 54,581	\$ -	\$ -	\$ 54,581
Academy	23,059	-	-	23,059
Accounting and legal fees	-	49,581	-	49,581
Bank and investment fees	6,052	1,796	-	7,848
Bookstore	88,736	-	-	88,736
Computer networking	19,878	177	265	20,320
Conferences and conventions	455,278	-	-	455,278
Consulting	23,875	-	-	23,875
Cost of goods sold	69,266	-	-	69,266
Depreciation	258,801	2,300	3,451	264,552
Development	-	-	121,221	121,221
Employee benefits	119,027	21,794	26,823	167,643
Employee training	4,021	736	906	5,663
Equipment rental	11,258	-	-	11,259
Grants	87,980	-	-	87,980
Insurance	44,630	21,535	4,541	70,706
Interest	-	-	-	-
Library	37,915	-	-	37,915
Miscellaneous	29,387	4,081	-	33,467
Occupancy	38,233	340	510	39,083
Payroll taxes	89,345	16,359	20,134	125,838
Publications	129,276	-	-	129,276
Publicity	8,297	-	25,695	33,992
Repairs and maintenance	82,750	736	1,103	84,589
Salaries	1,230,519	225,306	277,300	1,733,125
Shipping and postage	2,111	-	-	2,112
Supplies	29,960	125	187	30,272
Telephone	6,024	55	80	6,159
Travel	5,827	-	-	5,827
Website	154,583	-	-	154,583
	<b>\$ 3,110,669</b>	<b>\$ 344,921</b>	<b>\$ 482,216</b>	<b>\$ 3,937,806</b>