

FINANCIAL STATEMENTS



AMERICAN
BANKRUPTCY
INSTITUTE

**FOR THE YEAR ENDED DECEMBER 31, 2024
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2023**

AMERICAN BANKRUPTCY INSTITUTE

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2024, with Summarized Financial Information for 2023	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2024, with Summarized Financial Information for 2023	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2024, with Summarized Financial Information for 2023	6 - 7
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2024, with Summarized Financial Information for 2023	8
NOTES TO FINANCIAL STATEMENTS	9 - 17



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
American Bankruptcy Institute
Alexandria, Virginia

Opinion

We have audited the accompanying financial statements of the American Bankruptcy Institute (ABI), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABI as of December 31, 2024, and the change 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. 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 ABI 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.

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 ABI's ability to continue as a going concern within one-year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRFCPA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ABI'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 ABI'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 ABI's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 9, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.



April 24, 2025

AMERICAN BANKRUPTCY INSTITUTE
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023

ASSETS

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 2,872,665	\$ 3,158,632
Investments	18,646,449	17,359,171
Accounts receivable, net	405,882	423,678
Contributions receivable, net	19,319	24,688
Prepaid expenses	517,777	398,301
Deposits	70,423	94,068
Fixed assets, net of accumulated depreciation and amortization of \$13,292	76,461	-
Right-of-use asset	<u>1,619,386</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 24,228,362</u>	<u>\$ 21,458,538</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$ 1,357,161	\$ 939,046
Deferred revenue	2,788,155	2,604,479
Lease liability	<u>1,849,406</u>	<u>-</u>
Total liabilities	<u>5,994,722</u>	<u>3,543,525</u>

NET ASSETS

Without donor restrictions:		
Board designated	10,262,717	9,651,968
Undesignated	<u>7,820,724</u>	<u>8,117,127</u>
Total without donor restrictions	18,083,441	17,769,095
With donor restrictions	<u>150,199</u>	<u>145,918</u>
Total net assets	<u>18,233,640</u>	<u>17,915,013</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 24,228,362</u>	<u>\$ 21,458,538</u>

AMERICAN BANKRUPTCY INSTITUTE

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023**

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Conferences and meetings	\$ 6,647,706	\$ -	\$ 6,647,706	\$ 6,011,928
Membership	2,996,091	-	2,996,091	2,988,017
Publications	550,575	-	550,575	704,608
Interest and dividend income, net	371,759	-	371,759	344,860
Other revenue	228,000	-	228,000	223,313
Contributions	151,851	29,825	181,676	176,724
Rental income	-	-	-	220,300
Net assets released from donor restrictions	<u>25,544</u>	<u>(25,544)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>10,971,526</u>	<u>4,281</u>	<u>10,975,807</u>	<u>10,669,750</u>
EXPENSES				
Program Services:				
Conferences and Meetings	5,713,460	-	5,713,460	4,690,175
Publications and Other Sales	1,629,505	-	1,629,505	1,854,376
Membership Services	671,016	-	671,016	867,791
Research Projects and Grants	<u>11,628</u>	<u>-</u>	<u>11,628</u>	<u>3,142</u>
Total program services	<u>8,025,609</u>	<u>-</u>	<u>8,025,609</u>	<u>7,415,484</u>
Supporting Services:				
General and Administrative	2,880,272	-	2,880,272	2,205,565
Membership Development	332,205	-	332,205	44,150
Fundraising	<u>331,868</u>	<u>-</u>	<u>331,868</u>	<u>269,451</u>
Total supporting services	<u>3,544,345</u>	<u>-</u>	<u>3,544,345</u>	<u>2,519,166</u>
Total expenses	<u>11,569,954</u>	<u>-</u>	<u>11,569,954</u>	<u>9,934,650</u>
Change in net assets before other item	(598,428)	4,281	(594,147)	735,100
OTHER ITEM				
Unrealized and realized gain	<u>912,774</u>	<u>-</u>	<u>912,774</u>	<u>860,523</u>
Change in net assets after other item	314,346	4,281	318,627	1,595,623
Net assets at beginning of year	<u>17,769,095</u>	<u>145,918</u>	<u>17,915,013</u>	<u>16,319,390</u>
NET ASSETS AT END OF YEAR	<u>\$ 18,083,441</u>	<u>\$ 150,199</u>	<u>\$ 18,233,640</u>	<u>\$ 17,915,013</u>

AMERICAN BANKRUPTCY INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023

	2024				
	Program Services				
	Conferences and Meetings	Publications and Other Sales	Membership Services	Research Projects and Grants	Total Program Services
Salaries, benefits and payroll taxes	\$ 1,759,245	\$ 1,095,916	\$ 480,186	\$ 10,004	\$ 3,345,351
Event expenses	2,940,361	-	9,740	-	2,950,101
Occupancy	104,353	65,007	28,483	593	198,436
Audio visual and technology	93,451	69,603	62,050	28	225,132
Consulting fees	155,598	18,182	4,998	-	178,778
Other	82,637	22,313	22,891	147	127,988
Professional fees	124,320	77,445	33,933	707	236,405
Printing and production	80,576	128,468	5,510	-	214,554
Travel and entertainment	227,020	5,782	5,287	38	238,127
Bank fees	1,119	-	-	-	1,119
Supplies	82,789	6,282	4,111	56	93,238
Postage and delivery	43,570	118,082	10,964	-	172,616
Bad debt	-	-	-	-	-
Grant making	-	-	-	-	-
Advertising and promotions	2,318	16,469	254	-	19,041
Depreciation and amortization	-	-	-	-	-
Telephone	6,543	-	-	-	6,543
Insurance	9,409	5,862	2,568	54	17,893
Interest expense	151	94	41	1	287
TOTAL	\$ 5,713,460	\$ 1,629,505	\$ 671,016	\$ 11,628	\$ 8,025,609

See accompanying notes to financial statements.

AMERICAN BANKRUPTCY INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023

	2024 (Continued)				2023	
	Supporting Services					
	General and Administrative	Membership Development	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries, benefits and payroll taxes	\$ 809,203	\$ 285,797	\$ 224,130	\$ 1,319,130	\$ 4,664,481	\$ 4,418,665
Event expenses	2,593	-	6,261	8,854	2,958,955	2,452,535
Occupancy	48,000	16,953	8,878	73,831	272,267	635,030
Audio visual and technology	554,127	799	419	555,345	780,477	561,753
Consulting fees	1,118,143	-	930	1,119,073	1,297,851	285,318
Other	23,842	4,197	13,485	41,524	169,512	239,528
Professional fees	57,184	20,196	10,576	87,956	324,361	256,985
Printing and production	72	-	1,716	1,788	216,342	233,048
Travel and entertainment	6,936	1,095	8,274	16,305	254,432	203,397
Bank fees	168,812	-	32,634	201,446	202,565	198,081
Supplies	7,961	1,614	1,410	10,985	104,223	147,989
Postage and delivery	5,913	-	97	6,010	178,626	140,845
Bad debt	-	-	-	-	-	39,000
Grant making	-	-	22,228	22,228	22,228	31,095
Advertising and promotions	24,377	-	17	24,394	43,435	28,405
Depreciation and amortization	13,292	-	-	13,292	13,292	19,050
Telephone	35,420	-	-	35,420	41,963	18,337
Insurance	4,328	1,529	800	6,657	24,550	14,192
Interest expense	69	25	13	107	394	11,397
TOTAL	\$ 2,880,272	\$ 332,205	\$ 331,868	\$ 3,544,345	\$ 11,569,954	\$ 9,934,650

See accompanying notes to financial statements.

AMERICAN BANKRUPTCY INSTITUTE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 318,627	\$ 1,595,623
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,292	19,050
Unrealized and realized gain	(912,774)	(860,523)
Amortization of operating lease right-of-use asset	192,576	629,009
Discount on long-term receivables	-	4,375
Change in allowance for doubtful accounts on contribution receivable	-	(71,000)
Allowance for credit loss	63,000	63,000
(Increase) decrease in:		
Accounts receivable, net	(45,204)	(315,473)
Interest receivable	-	12,138
Contributions receivable, net	5,369	109,067
Prepaid expenses	(119,476)	(194,331)
Deposits	23,645	(23,645)
Increase (decrease) in:		
Accounts payable and accrued liabilities	418,115	(152,512)
Deferred revenue	183,676	331,831
Lease liability	37,444	(797,451)
Other liabilities	<u>-</u>	<u>(42,333)</u>
Net cash provided by operating activities	<u>178,290</u>	<u>306,825</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(89,753)	-
Purchases of investments	(422,246)	(344,861)
Proceeds from sale of investments	<u>47,742</u>	<u>43,757</u>
Net cash used by investing activities	<u>(464,257)</u>	<u>(301,104)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payment on loan payable	<u>-</u>	<u>(150,000)</u>
Net cash used by financing activities	<u>-</u>	<u>(150,000)</u>
Net decrease in cash and cash equivalents	(285,967)	(144,279)
Cash and cash equivalents at beginning of year	<u>3,158,632</u>	<u>3,302,911</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,872,665</u>	<u>\$ 3,158,632</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 394</u>	<u>\$ 11,397</u>
Right-Of-Use Asset	<u>\$ 1,811,962</u>	<u>\$ -</u>
Lease Liability for Right-of-Use Asset	<u>\$ 1,811,962</u>	<u>\$ -</u>

AMERICAN BANKRUPTCY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The American Bankruptcy Institute (ABI) was founded in 1982 as a nonprofit and nonpartisan educational institution. ABI provides a multi-disciplinary forum for the exchange of ideas and information on insolvency, reorganization, and bankruptcy issues. Through ABI, accountants, attorneys, bankers, court clerks, consumer specialists, credit managers, finance and insurance executives, judges, legislators, professors, and others pursue mutual business, professional, and academic interests. In fulfillment of its mission to provide information to its members, journalists, Congress and the public, ABI is engaged in numerous educational and research activities, as well as the production of a number of publications both for the insolvency practitioner and the public. ABI's major programs consist of the following:

Conferences and Meetings: ABI holds two national membership meetings and many regional conferences throughout the year. These meetings offer a concentrated opportunity for the exchange of ideas, discussions of findings among colleagues, and continuing legal education.

Publications and Other Sales: ABI produces various publications and journals that represent its commitment to the ongoing enhancement of quality education on insolvency topics. Additionally, ABI maintains a comprehensive Internet site covering insolvency issues and providing instant updates on legislation, new filings, Supreme Court cases, bankruptcy filing statistics, and daily bankruptcy news.

Membership Services: ABI provides ongoing services to its members in order to provide a broad, in-depth resource of insolvency issues and related services.

Research Projects and Grants: ABI provides funding and scholarships to enhance bankruptcy research and education.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Net assets set aside solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

AMERICAN BANKRUPTCY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Basis of presentation (continued) -

The 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with ABI's financial statements for the year ended December 31, 2023, from which the summarized information was derived.

Cash and cash equivalents -

ABI considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents, excluding money market funds held by investment managers in the amount of \$1,259,767 as of December 31, 2024. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, ABI maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest and dividends are shown net of expenses. Realized and unrealized gain on investments is included in the Other Item section of the accompanying Statement of Activities and Change in Net Assets.

Accounts and contributions receivable -

Accounts receivable primarily consists of amounts due within one year related to conferences and meetings, memberships, publications, and rental income. Accounts receivable are recorded at their net realizable value which approximates fair value. Accounts receivable are presented net of an allowance for credit losses resulting from the inability of customers to make required payments. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs. ABI recognized an allowance of \$63,000 as of December 31, 2024.

Contributions receivable include unconditional promises to give that are expected to be collected in future years. Contributions receivable are recorded at their fair value, which is measured as the present value of the future cash flows. The discount on long-term contributions receivable is computed using the risk-adjusted interest rates applicable to the years in which the promises to give were received. Amortization of the discount is included in contributions. All contributions receivable should be collected within one year of the Statement of Financial Position.

Fixed assets -

Fixed assets in excess of \$2,500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2024 totaled \$13,292.

AMERICAN BANKRUPTCY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Income taxes -

ABI is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. ABI is not a private foundation.

Support and revenue -

Membership dues, conferences and meetings, publications and other sales are the most significant revenue streams that are treated as exchange transaction revenue following ASC *Topic 606*. Revenue from contracts with customers is recorded when the performance obligations are met. ABI has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost and/or sales price. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. ABI's contracts with customers generally have initial terms of one year or less.

Membership dues: Membership dues includes general member benefits that are a series of distinct obligations. The revenue is recognized ratably over the membership period. There are several benefits received that are individual distinct obligations; however, they are immaterial in nature to the contract and thus are included with the general member benefits.

Conferences and meetings: Conference and meetings revenue consists of registration fees, workshop fees and sponsorship revenue. The performance obligation for conference registration and workshop fees is admission to the event. Sponsorships are considered nonreciprocal transactions, and are classified as conditional contributions. Conference and meetings revenue, including sponsorships, are recognized in the period in which the conferences and workshops are held.

Publications and other sales: Publications and other sales consist of advertising, publications, royalties and commissions, and miscellaneous other sales, and revenue is recognized upon satisfaction of the respective performance obligations. The performance obligation for advertising revenues is satisfied upon issuance of the print ads or when digital content is displayed. The performance obligation for publication revenues is satisfied when shipped or when digital access to the content has been granted. Royalty and commission revenue is generally based on third-party sale of publications using ABI content based on the terms of the agreement. ABI's performance obligation is satisfied over time as data is provided to the third-party on a regular basis, and revenue is recognized quarterly accordingly.

Revenue received in advance for membership dues, sponsorships, conferences and meetings, and publications is recorded as deferred revenue within the Statement of Financial Position.

Deferred revenue consisted of the following as of December 31, 2024 and January 1, 2024:

	December 31, 2024	January 1, 2024
Memberships	\$ 2,112,762	\$ 2,051,849
Conferences and meetings	308,176	281,319
Sponsorships	307,609	204,601
Advertising	<u>59,608</u>	<u>66,710</u>
TOTAL DEFERRED REVENUE	<u>\$ 2,788,155</u>	<u>\$ 2,604,479</u>

AMERICAN BANKRUPTCY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Support and revenue (continued) -

Contributions: Contributions are recognized in the appropriate category of net assets in the period received. ABI performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

For contributions qualifying under the contributions rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, including grants qualifying as contributions, that are unconditional but have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements. Contributions that are both received and released from restrictions in the same year are classified as without donor restrictions.

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. There were no unrecognized conditional contributions as of December 31, 2024.

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing ABI's programs and supporting services have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area are reported as direct expenses within that functional area and expenses that benefited more than one functional area, such as personnel costs, were allocated based on estimated time and effort. Occupancy, depreciation, and office costs were allocated based on square footage occupied.

Investment risks and uncertainties -

ABI invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

AMERICAN BANKRUPTCY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurement*, ABI has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level 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).

If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market ABI has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2024. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC) and are deemed to be actively traded.
- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by ABI are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by ABI are deemed to be actively traded.
- *U.S. Government Securities* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 1,259,767	\$ -	\$ -	\$ 1,259,767
Mutual funds	10,114,093	-	-	10,114,093
U.S. Government securities	<u>-</u>	<u>7,272,589</u>	<u>-</u>	<u>7,272,589</u>
TOTAL INVESTMENTS	<u>\$ 11,373,860</u>	<u>\$ 7,272,589</u>	<u>\$ -</u>	<u>\$ 18,646,449</u>

AMERICAN BANKRUPTCY INSTITUTE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Net investment return consisted of the following:

Unrealized and realized gain	\$ 912,774
Interest and dividends	419,501
Investment fees	<u>(47,742)</u>
TOTAL NET INVESTMENT RETURN	<u>\$ 1,284,533</u>

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2024:

Subject to expenditure for specified purpose:	
Shapero Symposium	\$ 111,629
West Grant	7,500
Subject to passage of time	<u>31,070</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 150,199</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Shapero Symposium	\$ 20,175
Passage of Time	<u>5,369</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 25,544</u>

4. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 2,872,665
Investments	18,646,449
Accounts receivable, net	405,882
Contribution receivable, net	<u>19,319</u>
Subtotal financial assets available within one year	21,944,315
Less: Donor restricted funds	(150,199)
Less: Board designated funds	<u>(10,262,717)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 11,531,399</u>

ABI holds investments in its general fund for long-term purposes. Although ABI does not intend to spend from investments other than the amount budgeted during its annual budget approval and appropriation, amounts from its investments could be made available as necessary. Additionally, the Board designated reserve funds (Endowment Fund) of \$10,262,717 as of December 31, 2024 could be made available for operations as needed, at the Board's discretion.

AMERICAN BANKRUPTCY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

5. LEASE COMMITMENTS

ABI follows FASB ASC 842 for leases. ABI has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. ABI has also elected to use a risk-free rate of 3.93% as the lease discount rate for the operating lease as allowed under FASB ASC 842.

ABI has an operating lease for office space in Alexandria, Virginia that commenced January 1, 2024 and expires in September 2031. The office lease includes a nine-month rent abatement and an escalation of base rentals which is being amortized on a basis to achieve straight-line rent expense over the life of the lease.

The lease provides ABI with a conditional option to renew for an additional 5-year term. Additionally, ABI has a one-time right to terminate the lease effective September 1, 2029, by submitting a termination notice at least one year in advance. As of December 31, 2024, it is more likely than not that the tenant will not exercise either option. Consequently, these provisions have not been included in the lease calculations.

The right-of-use asset totaled \$1,619,386 and the lease liability totaled \$1,849,406 as of December 31, 2024. The lease cost, including imputed interest and amortization of the right-of-use asset for the year ended December 31, 2024, was \$272,267, and is included in occupancy in the accompanying Statement of Functional Expenses. Total cash paid after rent abatement was \$70,936.

The following is a schedule of the future minimum lease payments due under the operating lease, net of imputed interest, as of December 31, 2024:

Year Ending December 31,

2025	\$ 290,819
2026	298,105
2027	305,532
2028	313,168
2029	321,015
Thereafter	<u>582,023</u>
	2,110,662
Less: Imputed interest	<u>(261,256)</u>
TOTAL LEASE LIABILITY	<u>\$ 1,849,406</u>

6. RETIREMENT PLANS

ABI provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with six months of eligible experience. ABI provides a 100% match of each eligible employee's contribution, up to 6% of covered compensation. Contributions to the Plan during the year ended December 31, 2024 totaled \$169,066.

7. COMMITMENTS

ABI is committed under agreements for conference space through the year 2026. The total commitments under the agreements are not determinable as it depends upon attendance and other unknown factors. There are cancellation penalties that would be due if the agreements were cancelled prior to the event date. The amount of the cancellation penalties increase through the date of the event.

AMERICAN BANKRUPTCY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

7. COMMITMENTS (Continued)

Additionally, ABI has an employment agreement with its current executive director through December 31, 2025. The terms of the agreement stipulate that if employment is terminated without cause during the period of the agreement, ABI will continue to pay salary for a period of twenty-six weeks subsequent to the effective date of such termination.

8. MANAGEMENT SERVICE AGREEMENT

ABI has a management service agreement with American Board of Certification (ABC), a tax-exempt organization under Section 501(c)(6) of the IRC. ABI provides services including administrative, payroll, executive and staffing support for a monthly fee of \$13,750. During the year ended December 31, 2024, ABI recognized revenue from this agreement totaling \$171,000.

9. BOARD DESIGNATED ENDOWMENT

ABI's endowment funds consist of funds designated by the Board of Directors to function as endowments (quasi-endowments). As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law -

ABI's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted by Virginia as requiring the preservation the fair value of time restricted funds until the governing Board appropriates such amounts for expenditures. The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the endowment fund.

As a result, of this interpretation, ABI classifies as Board designated net assets without donor restrictions: (a) the original value of initial and subsequent amounts added to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity.

ABI has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with UPMIFA, ABI considers the following factors in making a determination to appropriate or accumulate Board designated endowment funds:

- The duration and preservation of the fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Return Objectives and Risk Parameters -

ABI 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 of Directors, the endowment assets are invested in a manner that is intended to ensure a total return necessary to preserve and enhance the principal of the fund and provide a dependable source of support for current operations and programs. Therefore, ABI's goal for its endowment fund is capital preservation and to minimize the loss of capital. The finance committee of the Board of Directors reviews the performance and diversification of the portfolio in relation to ABI's investment policy.

AMERICAN BANKRUPTCY INSTITUTE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

9. BOARD DESIGNATED ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, ABI 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). ABI targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

Expenditure of the principal of funds contributed to ABI and designated for the endowment fund would require a 2/3 vote of the Board of Directors. Historically, ABI has limited spending to earnings only.

Funds with Deficiencies -

From time to time, the fair value of assets associated with Board designated endowment funds may fall below the level that the donor or UPMIFA requires ABI to maintain as a fund of perpetual duration. However, there were no funds with deficiencies as of December 31, 2024.

Endowment net asset composition by type of fund as of December 31, 2024:

	Without Donor Restrictions	With Donor Restrictions		Total
		Available for Appropriation	Held in Perpetuity	
Board Designated Endowment Funds	\$ <u>10,262,717</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>10,262,717</u>

Changes in endowment net assets for the year ended December 31, 2024:

	Without Donor Restrictions	With Donor Restrictions		Total
		Available for Appropriation	Held in Perpetuity	
Endowment net assets, beginning of year	\$ 9,651,968	\$ -	\$ -	\$ 9,651,968
Net investment income	623,858	-	-	623,858
Contributions	144,791	-	-	144,791
Appropriation of endowment assets for expenditure	<u>(157,900)</u>	<u>-</u>	<u>-</u>	<u>(157,900)</u>
ENDOWMENT FUNDS, END OF YEAR	\$ <u>10,262,717</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>10,262,717</u>

10. SUBSEQUENT EVENTS

In preparing these financial statements, ABI has evaluated events and transactions for potential recognition or disclosure through April 24, 2025, the date the financial statements were issued.